



# EASTBOURNE BOROUGH COUNCIL

## ANNUAL AUDIT LETTER

Audit for the year ended 31 March 2017



# EXECUTIVE SUMMARY

## Purpose of the letter

This Annual Audit Letter summarises the key issues arising from the work that we have carried out in respect of the financial year ended 31 March 2017. It is addressed to the Council but is also intended to communicate the key findings we have identified to key external stakeholders and members of the public. It will be published on the website of Public Sector Audit Appointments Limited.

## Responsibilities of auditors and the Council

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for.

Our responsibility is to plan and carry out an audit that meets the requirements of the National Audit Office's Code of Audit Practice (the Code), and to review and report on:

- the Council's financial statements
- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are also required to report where we have exercised our statutory powers under the Local Audit and Accountability Act 2014 in any matter, and on our grant claims and returns certification work.

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the audit.

**BDO LLP**  
30 October 2017

## Audit conclusions

### FINANCIAL STATEMENTS

We issued an unmodified true and fair opinion on the financial statements on 29 September 2017.

We reported our detailed findings to the Audit and Governance Committee on 20 September 2017. We reported on uncorrected misstatements which management and the Audit and Governance Committee concluded were immaterial.

We identified no significant deficiencies in internal controls. We did, however, report on areas where improvements in controls could be made, including property valuations, disposals of replaced components and consideration of components to be included in the group accounts.

### USE OF RESOURCES

We issued an unmodified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources on 29 September 2017.

While there is a recognised funding gap in the Medium Term Financial Strategy (MTFS), we are satisfied that the Council has appropriate arrangements to continue to remain financially sustainable over the period of the MTFS. All of the required savings for 2017/18 have been identified.

### EXERCISE OF STATUTORY POWERS

We have not exercised our statutory powers and have no matters to report.

### GRANT CLAIMS AND RETURNS CERTIFICATION

Our review of grant claims and returns for the year ended 31 March 2017 is in progress and the results will be reported upon completion of this work.

# FINANCIAL STATEMENTS

## OPINION

We issued an unmodified true and fair opinion on the financial statements on 29 September 2017.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error.

This includes an assessment of whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates, and the overall presentation of the financial statements.

## Our assessment of risks of material misstatement

Our audit was scoped by obtaining an understanding of the Council and its environment, including the system of internal control, and assessing the risks of material misstatement in the financial statements.

We set out below the risks that had the greatest effect on our audit strategy, the allocation of resources in the audit, and direction of the efforts of the audit team.

MANAGEMENT OVERRIDE OF CONTROLS	RESPONSE	FINDINGS
<p>The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.</p> <p>Under auditing Standards there is a presumed significant risk of management override of the system of internal controls.</p>	<p>We reviewed the appropriateness of journal entries and other adjustments made in the preparation of the financial statements and obtained an understanding of any significant or unusual transactions.</p> <p>We reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represented a risk of material misstatements due to fraud.</p>	<p>No issues were identified in our review of the appropriateness of journal entries and other adjustments to the financial statements. We did not identify any unusual transactions.</p> <p>Our views on significant management estimates are reported below. Our work on accounting estimates did not identify any evidence of management bias.</p>

REVENUE RECOGNITION	RESPONSE	FINDINGS
<p>Under auditing Standards there is a presumption that income recognition presents a fraud risk.</p> <p>Our Audit Planning Report identified a risk in relation to the existence and completeness of fees and charges recorded in the Comprehensive Income and Expenditure Statement (CIES).</p>	<p>We tested an increased sample of fees and charges to underlying documentation, to cover the existence and accuracy of transactions throughout the year.</p> <p>We also tested an increased sample of receipts either side of year end, to confirm that income had been recorded in the correct period and that all income that should have been recorded at year end had been.</p>	<p>Our testing of revenue from fees and charges throughout the year and receipts either side of year end did not identify any issues.</p>

# FINANCIAL STATEMENTS

## Continued

CHANGES IN THE PRESENTATION OF THE ACCOUNTS	RESPONSE	FINDINGS
<p>The Code of Practice on Local Authority Accounting required a change to the presentation of some areas of the financial statements in 2016/17. This included changes to the format of the CIES , Movement in Reserves Statement and Segmental Reporting note and a new Expenditure and Funding Analysis note and Expenditure and Income analysis note. These changes required a restatement of the comparative figures.</p> <p>Our Audit Planning report identified a risk that these presentational changes may not have been correctly applied in the financial statements.</p>	<p>We checked that the required presentational changes were correctly reflected within the financial statements.</p>	<p>Our audit found that the financial statements largely complied with the new requirements. A few issues were identified by our audit, which were corrected in the final financial statements. These included:</p> <ul style="list-style-type: none"> <li>• Differences between the Expenditure and Funding Analysis and the outturn information in the Narrative Report</li> <li>• £2.1 million of income and £958,000 of expenditure reclassified from net cost of services to investment properties and trading income in the CIES.</li> </ul>
RECHARGES	RESPONSE	FINDINGS
<p>The Council is currently in the process of undergoing a major Joint Transformation Programme (JTP) with Lewes District Council to merge frontline services and back office functions. In February 2017, the vast majority of Lewes District Council employees were transferred to the employment of the Council. Recharging arrangements are in place for the employment costs of the transferred employees and for each of five service areas (Corporate Management Team, Legal Services, Information Technology, Human Resources and Asset Management). On a monthly basis the Council calculates, based on these arrangements, the amount to be recharged via invoice back to Lewes District Council.</p> <p>Our Audit Planning Report identified risks in respect of the completeness and accuracy of the payroll information transferred from the Lewes payroll system onto the Eastbourne payroll system, the recharges between the councils and accounting for the recharges in the CIES and senior officer remuneration disclosures.</p>	<p>We reviewed the work performed by the Council's payroll team in checking the migration of data from the Lewes payroll system.</p> <p>We reviewed the reasonableness and accuracy of the recharge arrangements in place between the councils and the manual adjustments made to record shared employee and other costs on a net accounting basis.</p> <p>We also reviewed the senior officers' remuneration note to check that the disclosures for senior managers and employees earning over £50,000 were complete and accurate and that the Council's share of the costs were in line with the relevant recharge arrangement.</p>	<p>Our review of the data migration work completed by the Council's payroll team did not identify any issues.</p> <p>For the five service lines which are operating full shared service arrangements under phase one of the JTP, there are set percentages in place for the amounts to be recharged, which are between 40% and 50% per service. Our checks on the amounts recharged did not identify any issues. We are satisfied that the governance structures in relation to the recharging arrangements are appropriate.</p> <p>We were also satisfied that the senior officers' remuneration note complied with the requirements of the Code of Practice on Local Authority Accounting , and further explanations were added to the note in the final financial statements to clarify what was included in some of the disclosures.</p>

# FINANCIAL STATEMENTS

## Continued

VALUATION OF LAND AND BUILDINGS	RESPONSE	FINDINGS
<p>Local authorities are required to ensure that the carrying value of non-current assets is not materially different to the current value (operational assets) or fair value (surplus assets, assets held for sale and investment properties) at the balance sheet date.</p> <p>The Council appointed an external valuer to carry out a full revaluation as at 1 April 2016, and a further desktop review was performed as at 31 March 2017.</p> <p>Due to the significant value of the Council's non-current assets, and the high degree of estimation uncertainty, we identified a risk over the valuation of non-current assets where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at the year-end.</p>	<p>We reviewed the instructions provided to the valuer and the valuer's skills and expertise to determine if we could rely on the management expert.</p> <p>We checked that the basis of valuation for assets was appropriate, including whether investment properties and surplus assets were valued based on 'highest and best use.'</p> <p>We reviewed valuation movements against independent data showing indices of price movements for similar classes of assets. We followed up valuation movements that appeared unusual against indices, or any assets which may have had material movements since the last valuation.</p>	<p>We were satisfied that we could rely on the valuer and the basis of valuations applied was appropriate.</p> <p><b><u>Council dwellings</u></b></p> <p>The formal valuation of HRA council dwellings as at 1 April 2016 was significantly different from the values included in the prior year financial statements as at 31 March 2016, which had been indexed each year since the last formal valuation on 1 April 2011. The Council accounted for revaluation increases of £36.355 million.</p> <p>We challenged the assumptions used by the valuer and assessed whether the prior year values were based on the best available information at the time that the 2015/16 financial statements were certified and whether additional information became available to the valuer since its prior year end desktop review.</p> <p>Following discussions with management and their enquiries with the valuer, we identified three key explanations for the movement in HRA properties:</p> <ul style="list-style-type: none"> <li>• £5 million from a decrease in the national discount factor for social housing</li> <li>• £6 million from latest house price index data compared to the annual indexation applied by the Council in the five years since the last valuation, which was based on the information received from the valuer</li> <li>• £26.602 million relating to disposal of replaced components from the capital programme.</li> </ul> <p>Management previously used capital programme additions as a proxy measure for the value of disposals of replaced components written out but this assumed no depreciation on these replaced components. The valuation as at 1 April 2016 proved that this approach was overly prudent. As a result of the audit, management recognised a prior period adjustment to reduce the opening balance of property, plant and equipment and increase the opening capital adjustment account balance by £26.602 million, for the overstatement of losses on disposal in prior years. An adjustment of £4.185 million was also been processed to reduce the value of replaced components derecognised in 2016/17.</p>

# FINANCIAL STATEMENTS

## Continued

VALUATION OF LAND AND BUILDINGS	RESPONSE	FINDINGS
As above.	As above.	<p><b><u>Other land and buildings</u></b></p> <p>We also compared the movements in asset valuations for general fund assets as at 1 April 2016 to the last formal valuation as at 1 April 2011 and the prior year closing net book value. The valuer provided acceptable explanations for significant movements in assets where more recent information was available at the time of the formal valuation, including changes in property occupation and rental values.</p> <p>For assets valued on a depreciated replacement cost basis, the Council applied indexation of 3% for the year, based on information on price movements provided by the valuer, which was considered reasonable in comparison to a 3.27% increase in national build costs per independent market data.</p> <p>For assets valued on an existing use basis, no indexation was applied as the valuer confirmed that there were no material price movements in the year. This was considered reasonable compared to independent market data, which indicates a decrease of 0.1%.</p> <p><b><u>Investment properties</u></b></p> <p>All properties were revalued and an overall fair value gain of 4% was recognised, which compared to a 1.83% increase in national indices for IPD rental values.</p>

# FINANCIAL STATEMENTS

## Continued

PENSION LIABILITY	RESPONSE	FINDINGS
<p>The net pension liability comprises the Council's share of the market value of assets held in the East Sussex County Council's Pension Fund and the estimated future liability to pay pensions.</p> <p>An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on the most up to date membership data held by the pension fund and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.</p> <p>Our Audit Planning Report identified a risk that the valuation may not have been based on accurate membership data or may have used inappropriate assumptions to value the liability.</p>	<p>We agreed the disclosures to the information provided by the pension fund actuary.</p> <p>We used a PwC consulting actuary report to review the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data and to review of the actuary's methodology.</p> <p>We obtained assurance from the auditor of the pension fund over the controls for providing accurate membership data to the actuary. We checked whether any significant changes in membership data were communicated to the actuary.</p>	<p>Our review of the pensions note in the draft financial statements provided for audit noted that there had been a significant movement from investments with quoted prices not in active markets ('level 2' in the fair value hierarchy) to investments with quoted prices in active markets ('level 1' in the fair value hierarchy) compared to the prior year. Further to our enquiries, management queried the classification with East Sussex County Council, the pension fund administrators. This resulted in the actuary issuing revised reports which reclassified investment funds and unit trust equities and bonds from level 1 to level 2. This was then corrected in the final financial statements.</p> <p>We did not identify any other issues regarding the accuracy of the disclosures in the financial statements or the accuracy and completeness of data provided by the pension fund to the actuary.</p> <p>We were satisfied that the actuary adequately took account of the transfer in of the majority of Lewes District Council's staff in valuing the Council's pensions liability at year end.</p>
GROUP ACCOUNTS	RESPONSE	FINDINGS
<p>Welbeing has now completed its fourth year of operation and it is possible that accumulated retained profits have increased to a material level. This would require the transactions in both Welbeing and CloudConnX, if cumulatively material, to be included in the Council's Group Accounts, using equity accounting.</p> <p>Our Audit Planning Report identified a risk that the Group Accounts would not have been complete if the Council did not account for its share of material transactions in Welbeing and CloudConnX.</p>	<p>We reviewed the financial statements and management accounts of Welbeing and CloudConnX, to determine if they needed to be included in the Council's Group Accounts on the grounds of materiality.</p> <p>We reviewed the Group Accounts and checked that assets, liabilities, income and expenditure and relevant disclosures were consolidated where necessary.</p>	<p>Transactions in respect of Greencoat House Limited, Welbeing and CloudConnX are not material, therefore we are satisfied that these entities have been appropriately excluded from the Group Accounts.</p> <p>The Council's two wholly owned subsidiaries have been correctly consolidated in the Group Accounts. Our testing did not identify any issues in respect of the transition from FRS102 to IFRS in the consolidation into the Group Accounts for these two companies.</p> <p>The Group Accounts were correctly adjusted for the revised pension assets table for the Council (as reported above). However revised asset tables were not received from the actuary for the two wholly owned subsidiaries. We reported this as an unadjusted disclosure error.</p>

# FINANCIAL STATEMENTS

## Continued

### Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements.

We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonably knowledgeable users that are taken on the basis of the financial statements.

Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the financial statements as a whole was set at £2.1 million. This was determined with reference to a benchmark of gross expenditure (of which it represents two per cent) which we consider to be one of the principal considerations for the Council in assessing the financial performance.

We agreed with the Audit and Governance Committee that we would report all individual audit differences in excess of £42,000.

### Audit differences

Our audit identified the following material misstatements, which were corrected in the final financial statements:

- £90.877 million reclassification of pension scheme assets from those with quoted prices in active markets to those with quoted prices not in active markets, due to an error in the actuary's report
- £26.602 million overstatement of in year revaluations of council dwellings (gains recognised in the Comprehensive Income and Expenditure Statement) because of an overstatement of the net book value of components derecognised when replaced by new additions in previous years (corrected by way of a prior period adjustment)
- £4.185 million overstatement of the loss on disposal of replaced components because of an overstatement of the net book value of replaced components derecognised
- £3.22 million overstatement in the disclosure of capital commitments.

Correction of these issues reduced the surplus on the provision of services in the current year by £22.417 million. However, as they were capital adjustments, which are subsequently reversed through reserves, there was no impact on usable reserve balances.

Our audit also found two audit difference not corrected in the final financial statements, that would have impacted on the reported surplus of adjusted:

- An error in the calculation of the allowances for impairment of collection fund debtors. The impairment charge in the Collection Fund was understated by £200,000 for council tax (the Council's share being £26,000) and £87,000 for non-domestic rates (the Council's share being £35,000). As a result, the Council's debtors and expenditure were understated by £61,000
- Understatement of expenditure of £53,000 due to overstatement of expenditure in the prior year.

Correcting for these misstatements would have resulted in the Council reporting a £114,000 lower surplus for the year. We considered that these misstatements did not have a material impact on our opinion on the financial statements.

### Other matters we report on

#### Annual Governance Statement

We were satisfied that the Annual Governance Statement was not misleading or inconsistent with other information we were aware of from our audit.

#### Narrative reporting

Local authorities are required to include a Narrative Report in the Statement of Accounts to offer interested parties an effective guide to the most significant matters reported in the accounts. The Narrative Report should be fair, balanced and understandable for the users of the financial statements.

We were satisfied that the information given in the Narrative Report for the year ended 31 March 2017 was not inconsistent with the financial statements.



# FINANCIAL STATEMENTS

## Continued

### Internal controls

We did not find any significant deficiencies in internal controls during the course of our audit. A number of other areas for improvement were identified which we discussed with management, including:

- Perform a critical review of property valuation reports received and query any unexplained significant movements
- Review the Council's approach for estimating the value of depreciated replaced components to recognise as disposals going forward
- Review the combined transactions of Greencoat House Ltd, Welbeing and CloudConnx in future years and if material ensure that the organisations are consolidated in the Council's Group Accounts.

### Whole of Government Accounts

Auditors are required to review Whole of Government Account (WGA) information prepared by component bodies that are over the prescribed threshold of £350 million in any of: assets (excluding certain non current assets); liabilities (excluding pension liabilities); income or expenditure.

The Council falls below the threshold for review and there was no requirement for further work other than to submit the WGA Assurance Statement to the WGA audit team with the total values for assets, liabilities, income and expenditure. We submitted this on 29 September 2017, in advance of the national deadline.



# USE OF RESOURCES

## CONCLUSION

We issued an unmodified conclusion on the arrangements for securing economy, efficiency and effectiveness in its use of resources on 29 September 2017.

## Scope of the audit of use of resources

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources based on the following reporting criterion:

- In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

As part of reaching our overall conclusion we considered the following sub criteria in our work: informed decision making, sustainable resource deployment, and working with partners and other third parties.

## Our assessment of significant risks

Our audit was scoped by our knowledge brought forward from previous audits, relevant findings from work undertaken in support of the opinion on the financial statements, reports from the Council including internal audit, information disclosed or available to support the Annual Governance Statement and Narrative Report, information available from the risk registers and supporting arrangements, and other information brought to our attention during the course of the audit.

We set out below the risks that had the greatest effect on our audit strategy, the allocation of resources in the audit, and direction of the efforts of the audit team.

SUSTAINABLE FINANCES	RESPONSE	FINDINGS
<p>The Medium Term Financial Strategy (MTFS) to 2019/20 forecast further reductions in Government core grant funding, falling New Homes Bonus funding from 2017/18 and annual inflationary and pay award pressures. Budget gaps were identified in 2016/17 (£0.6 million), 2017/18 (£1.1 million), 2018/19 (£1.0 million) and 2019/20 (£1.0 million), resulting in an average level of required savings of £940,000 per annum over the four year period.</p>	<p>As a starting point for assessing the effectiveness of the Council's arrangements for ensuring sustainable finances, we reviewed current year outturn and the Council's reserves position.</p>	<p>The Council has a track record of delivering underspends in the General Fund. In 2016/17, the Council originally budgeted for a decrease in the general fund of £1.319 million, before transfers to earmarked reserves. There were some variances in the year but the final position against the revised budget was an underspend of £138,000. This was largely due to savings on contracts and increased income which was partially offset by the re-profiling of JTP savings to 2017/18. This resulted in the Council using £734,000 of its general fund balance to support services, and £112,000 was transferred from earmarked reserves. The closing General Fund balance remains above the minimum level of £1 million recommended by the Section 151 Officer.</p> <p>The Council achieved its efficiency savings and income generation target of £588,000, under its transformation programme and revenue generation schemes during 2016/17.</p> <p>An updated MTFS from 2017 - 2021 was approved by Cabinet in July 2017. Revised budget gaps have been identified in 2017/18 (£2 million), 2018/19 (£1.4 million), 2019/20 (£1.0 million) and 2020/21 (£0.8 million), resulting in an average level of required savings of £1.33 million per annum over the four year period. While this is an increase in required savings from the previous MTFS update, the savings for 2017/18 have been identified and relate largely to planned new income streams, the JTP shared transformation programme and procurement savings.</p>

# USE OF RESOURCES

## Continued

SUSTAINABLE FINANCES	RESPONSE	FINDINGS
<p>The Council currently has a number of major development / transformation programmes in place to either help facilitate these savings or create additional revenue streams in the medium term, to close the budget gaps.</p> <p>Our Audit Planning Report identified a risk that the MTFS may not adequately take account of the investment costs and savings associated with these projects, or that the Council may not have appropriate arrangements to monitor progress in delivering benefits from these projects against the MTFS.</p>	<p>We reviewed the assumptions used in the MTFS for investment costs and savings associated with major development/transformation programmes.</p> <p>We also reviewed the Council's arrangements for monitoring the progress of these programmes against the budgeted savings targets.</p>	<p><b>Joint transformation programme with Lewes District Council</b></p> <p>In November 2016, Cabinet approved a three phase delivery of the JTP, with phase one lasting from September 2016 to March 2017 for management and corporate activity to deliver £1.05 million of savings across the two councils. Phase two is taking place in 2017/18, covering frontline services and delivery of a further £1 million of savings, and phase three is expected to be in 2018/19 with an ongoing review of support services delivering £0.8 million of savings. Although the exact savings figure for Phase one will not be established until the final vacant roles are recruited, management expects to slightly exceed the savings target. Good progress has also been made on key technology projects to align the two councils.</p> <p><b>Devonshire Park Complex</b></p> <p>This major project is budgeted at £44 million, with costs totalling £5.497 million incurred in 2016/17. Construction is still ongoing and on budget, and the Council is seeking grant contributions for the project.</p> <p><b>Housing investment and commercial development</b></p> <p>In March 2017, Cabinet approved the establishment of a Joint Housing Investment Partnership, jointly owned with Lewes District Council. Aspiration Homes LLP was incorporated on 30 June 2017. The Council plans to carry out more commercial development through this structure, with the LLP acting as the asset holding vehicle for affordable housing developed through the commercial development programmes. Although there was no benefit realisation in 2016/17, it is expected to assist with the savings gap going forward.</p> <p><b>Other ongoing projects within the Borough</b></p> <p>In December 2016, Cabinet approved the construction of a new leisure centre, which will generate profits after debt costs. The redevelopment of the Wish Tower Restaurant is expected to generate revenue an additional revenue stream. In July 2017, Cabinet approved the Joint Board for Energy and Sustainability combined with Lewes District Council, with income generation through management fees expected to be realised from 2017/18 onwards.</p> <p><b>Conclusion</b></p> <p>We are satisfied that the MTFS takes accounts of the investment costs associated with the Council's major transformational projects, and once these scheme are further established, management should be in a better place to forecast all of the associated savings going forward.</p>

## EXERCISE OF STATUTORY POWERS

### Use of statutory powers

We have not exercised our statutory powers and have no matters to report.

#### REPORT BY EXCEPTION

We have no matters to report by exception.

### Audit certificate

We issued the audit certificate to close the audit for the year ended 31 March 2017 on 29 September 2017.

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# GRANT CLAIMS AND CERTIFICATION

## CERTIFICATION WORK

Our review of grant claims and returns for 2016/17 is in progress and the results will be reported upon completion of this work.

### Housing benefit subsidy claim

Public Sector Audit Appointments Ltd has a statutory duty to make arrangements for certification by the appointed auditor of the annual housing benefit subsidy claim.

Our audit of the 2015/16 housing benefit subsidy claim identified a high level of error in rent allowance cases (including modified schemes). Our work was completed and the claim was certified on 21 December 2016 and full details of the identified errors were reported to the Audit and Governance Committee on 8 March 2017. Our audit certification was qualified and we quantified the effect of the errors identified on the Council's entitlement to subsidy in a letter to DWP.

Our work on the 2016/17 housing benefits subsidy claim is currently in progress and is expected to be completed ahead of the submission deadline of 30 November 2017.

### Pooling of housing capital receipts return

The Council has requested that we undertake a 'reasonable assurance' review, based on the instructions and guidance provided by the Department of Communities and Local Government (DCLG), for its pooling of housing capital receipts return for 2016/17. The deadline for completion of this work is 31 October 2017.

This assurance review is undertaken outside of our appointment by Public Sector Audit Appointments Ltd, and is instead covered by a tripartite agreement between the Council, DCLG and the auditor.

Our review of the 2016/17 return is in progress. The Council has amended the claim in respect of new-build expenditure in the year, which has reduced reported expenditure by £1.45 million, to £457,000. As we are unable to see the revised return in the Logasnet system, the Council is in correspondence with DCLG to resolve the issue. As a result, an extension to the deadline has been requested.

# APPENDIX

## Reports issued

We have issued the following reports since our previous Annual Audit Letter.

## Fees

We reported our original fee proposals in our Audit Planning Report.

REPORT	DATE
Audit Planning Report 2016/17	27 February 2017
Planning Letter 2017/18	21 April 2017
Audit Completion Report 2016/17	12 September 2017
Audit Completion Report 2016/17 (Updated)	28 September 2017
Annual Audit Letter 2016/17	30 October 2017

AUDIT AREA	PLANNED FEES	FINAL FEES
Code audit	67,781	67,781
Certification of housing benefits subsidy	8,297	8,297
<b>Fee for audit services</b>	<b>76,078</b>	<b>76,078</b>
Audit related services:		
- Pooling of housing capital receipts	1,500	1,500
<b>Fee for audit related services</b>	<b>1,500</b>	<b>1,500</b>
Other non audit related services:		
- None	-	-
<b>Total fees</b>	<b>77,578</b>	<b>77,578</b>

The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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