

BABERGH AND MID SUFFOLK DISTRICT COUNCILS

From: Cabinet Members - Finance	Report Number: JAC/17/11
To: Joint Audit and Standards Committee	Date of meeting: 13 November 2017

JOINT ANNUAL AUDIT LETTER FOR THE YEAR 2016/17

1. Purpose of Report

- 1.1 To approve the joint external auditor's Annual Audit Letter for the year ended 31 March 2017 for Babergh District Council and Mid Suffolk District Council.

2. Recommendation

- 2.1 That the joint external auditor's Annual Audit Letter for 2016/17, as set out in Appendix A be approved.

3. Financial Implications

- 3.1 The scale fees as set by Public Sector Audit Appointments (PSAA Ltd) was reported in the Joint Audit Plan presented to the Joint Audit and Standards Committee meeting on 13 March 2017.
- 3.2 During the audit of 2016/17, additional work was undertaken on Property, Plant and Equipment disclosures, payroll analytics and working papers which will result in additional fees of £3k for each Council. (These are currently subject to agreement with PSAA Ltd).
- 3.3 Certification of housing benefits subsidy claims takes place during October and November for completion by 30 November 2017. The fees for the certification of grant claims is based on the indicative scale fee set by PSAA Ltd. The actual fees will be reported to Committee following the issue of the auditor's certification report in January 2018.

4. Legal Implications

- 4.1 There are no legal implications arising from this report.

5. Risk Management

- 5.1 This area is not regarded as a significant business risk on the Integrated Significant Business Risk Register. Specific risks are set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
If there are material misstatements in the accounts or non-compliance with accounting requirements, then this could result in a possible 'qualified' audit opinion or unfavourable audit report.	2-Unlikely	2/3- Noticeable / Bad	Aim to obtain an unqualified 'true and fair' opinion from the external auditors as a result of: <ul style="list-style-type: none"> • Clear arrangements for ensuring compliance with accounting requirements. • Analytical review of the outturn against previous year and the Budget. • Early discussion on key issues with the auditors.
If issues or concerns are raised by the public from the right to inspect the accounts then this could have an impact on the Council's reputation	2-Unlikely	1-Minimal	Open and transparent arrangements and publication of the public's right to inspect the accounts.

6. Consultations

6.1 None

7. Equality Analysis

7.1 None

8. Shared Service / Partnership Implications

8.1 Ernst and Young LLP audit both Councils' accounts and grant claims and a joint Annual Audit Letter has been prepared by the external auditors.

9. Links to Joint Strategic Plan

9.1 There are no direct links to the Joint Strategic Plan from this report. The Annual Audit Letter provides the Councils with independent assurance over their governance arrangements in relation to the production of the opinion of the final accounts and value for money conclusion. These help to demonstrate sound financial management practices which support the Councils through their aims and objectives set out in the Joint Strategic Plan, including ensuring the long term financial sustainability of the Councils.

10. Key Information

10.1 The joint Annual Audit Letter (AAL) draws on conclusions from the audit of the Councils. Initial findings from the work of external audit were reported to the Joint Audit and Standards Committee on 29 September 2017, where the Audit Results Report, issued on 20 September, was discussed.

10.2 The AAL for 2016/17 is set out in Appendix A. It confirms that the external auditors issued an unqualified opinion in respect of both Councils' financial statements and an unqualified opinion on value for money.

10.3 The key points raised by the AAL are:

- an unqualified opinion on the financial statements and consistency with other published financial statements
- the Councils have proper arrangements in place to secure value for money
- the Joint Annual Governance Statement is consistent with the auditor's understanding of the Councils.
- there is nothing to report on matters relating to
 - the public interest,
 - written recommendations to the Councils, or
 - actions under the Local Audit & Accountability Act 2014.
- both Councils are below the audit threshold for the Whole of Government Accounts and therefore no audit procedures have been performed.

11. Appendices

Title	Location
Appendix A External Auditor's Joint Annual Audit Letter for 2016/17	Attached

Authorship:

Katherine Steel
Assistant Director – Corporate Resources

katherine.steel@babergmidsuffolk.gov.uk

Melissa Evans
Corporate Manager – Financial Services

Melissa.evans@babergmidsuffolk.gov.uk