

**COBTREE MANOR ESTATE
TRUST COMMITTEE**

17th January 2019

External Audit Management Letter 2017/18

Final Decision-Maker	Cobtree Manor Estate Trust Committee
Lead Head of Service	Director of Finance & Business Improvement
Lead Officer and Report Author	Paul Holland, Senior Finance Manager – Client Accountancy
Classification	Public
Wards affected	Boxley

Executive Summary

As part of the audit process the external auditors produce a Management Letter, the purpose of which is to bring matters of interest they have identified to the attention of Trustees.

This report makes the following recommendations to this Committee:

1. It is recommended that the Committee notes the contents of the Management Letter and the proposed courses of action from officers.

Timetable

<i>Meeting</i>	<i>Date</i>
Cobtree Manor Estate Trust Committee	17 th January 2019

External Audit Management Letter 2017/18

1. INTRODUCTION AND BACKGROUND

- 1.1 The audit of the Report and Financial Statements is now complete, as detailed elsewhere on this agenda.
- 1.2 As part of process the external auditors are required to produce a Management Letter.

2. MANAGEMENT LETTER 2017/18

- 2.1 The Management Letter is attached at **Appendix 1**. The purpose of this letter is to bring to the attention of the Committee various matters that have arisen from the external audit.
- 2.2 Sections 1 to 5 provide a background and overview to the audit and to the letter itself. Sections 6 to 7 deal with specific issues that arose from the audit. The most significant issues are dealt with below in this section of the report.
- 2.3 Section 6 deals with status of audit issues that were raised in previous years. The most significant of these are as follows:

Issue	Summary	Management Response
1 - General charity records	MBC set up a separate accounting system for the Cobtree accounts.	This is now in progress, as detailed in the Financial Position report elsewhere on this agenda.
2 - Unincorporated legal status of the charity	Consideration be given to changing the legal structure of the charity.	Nothing further to add at this stage, the issue was discussed when this matter was first raised and it was agreed that no changes would be made.
3 - Fixed Assets	A formal impairment review should be carried out as part of the annual valuation process.	The external valuer will be asked to carry this out as part of the 2018/19 valuation process.
4 - Potential tax on commercial trading	The café and car parking operations could be considered to be commercial activities for the purpose of taxation, and it is possible that the tax threshold limit	The situation will continue to be monitored closely during the year to see if there is a possibility of reaching the limit. However at this stage it is unlikely that the limit will be reached.

	could be reached in the coming years.	
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- 2.4 There are three new recommendations arising from the 2017/18 audit. Two of these relate to the café and are noted as the operation of this facility has now transferred to DAGT. The final one relates to VAT registration software, but the new Sage system includes the facility to deal with this.
- 2.5 Appendix I to the Management Letter summarised the accounting adjustments that were agreed following the audit of the accounts, and Appendix II summarises the minor differences that were identified but not adjusted for.

3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 3.1 That the Committee notes the contents of the Management Letter and the proposed courses of action from officers.
- 3.2 There are no alternative actions. The Management Letter is written for the benefit of those charged with governance to bring to their attention matters of interest that have arisen during the external audit process, therefore it needs to be considered by the Committee.

4. RISK

- 4.1 A number of risks have been identified as detailed in the table at paragraph 2.3 of this report.

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 Not applicable.

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 A response to the Management Letter will be returned to the external auditors.

7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	None	
Risk Management	A number of risks have been identified which are outlined in the report.	Paul Holland – Senior Finance Manager (Client)
Financial	The financial implications are outlined in the report.	Paul Holland – Senior Finance Manager (Client)
Staffing	None	
Legal	<ul style="list-style-type: none"> There is no statutory requirement for an external audit, but the Charity has previously decided that external auditing should be undertaken. 	Keith Trowell, Team Leader (Corporate Governance), MKLS
Privacy and Data Protection	There are no specific privacy or data protection issues to address.	Keith Trowell, Team Leader (Corporate Governance), MKLS
Equalities	No impact identified.	Equalities and Corporate Policy Officer
Crime and Disorder	None	
Procurement	None	

8. REPORT APPENDICES

- Appendix 1: Management Letter 2017/18
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9. BACKGROUND PAPERS

None.