

**External Audit Management Letter 2016/17**

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

<b><i>Meeting</i></b>	<b><i>Date</i></b>
Cobtree Manor Estate Trust Committee	25 <sup>th</sup> January 2018

# Accounts 2016/17

## 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 the process the external auditors are required to produce a Management Letter.

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## 2. MANAGEMENT LETTER 2016/17

- 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 4 provide a background and overview to the audit and to the letter itself. Sections 5 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 still under consideration, as has been reported to the Committee previously.
3 - 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.
4 - 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 2017/18 valuation process.
8 - 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. It could be argued that rather than being commercial activities the café and car parking operations exist to

	could be reached in the coming years.	provide funds to reinvest into the Estate, but this point will be investigated further by officers, and if necessary a report will be brought back to the committee to consider the potential implications.
9 – Financial performance at the café	The café has made trading losses since it opened, which are not sustainable.	The Committee has continued to receive regular updates on the position, which has now improved. The café is now in the process of being transferred to an external contractor.

- 2.4 There have been no new recommendations made as a result of the 2016/17 audit.
- 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.

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### **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.

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### **4. RISK**

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

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### **5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 5.1 Not applicable.

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### **6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

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

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## 7. CROSS-CUTTING ISSUES AND IMPLICATIONS

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

## 8. REPORT APPENDICES

- Appendix 1: Management Letter 2016/17
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## 9. BACKGROUND PAPERS

None.