

**COBTREE MANOR ESTATE  
CHARITY COMMITTEE**

**30 March 2017**

Is the final decision on the recommendations in this report to be made at this meeting?

**Yes**

**External Audit Management Letter 2015/16**

<b>Final Decision-Maker</b>	Cobtree Manor Estate Charity 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

**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.

**This report relates to the following corporate priorities:**

- Keeping Maidstone Borough an attractive place for all – Ensuring that there are good leisure and cultural attractions.

**Timetable**

<b>Meeting</b>	<b>Date</b>
Cobtree Manor Estate Charity Committee	30 <sup>th</sup> March 2017

# External Audit Management Letter 2015/16

## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 As part of the external audit of the accounts a Management Letter has been produced. This is shown at **Appendix A**, and is for information only.
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## 2. INTRODUCTION AND BACKGROUND

- 2.1 The audit of the Report and Financial Statements is now complete, and this was considered at the last meeting of the Committee.
- 2.2 As part of process the external auditors are required to produce a Management Letter.
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## 3. MANAGEMENT LETTER 2015/16

- 3.1 The Management Letter is attached at **Appendix A**. The purpose of this letter is to bring to the attention of the Committee various matters that have arisen from the external audit.
- 3.2 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.
- 3.3 Section 6 deals with status of audit issues that were raised during as part of the 2014/15 Management Letter. The most significant of these are as follows:

<b>Issue</b>	<b>Summary</b>	<b>Management Response</b>
1 - General charity records	MBC set up a separate accounting system for the Cobtree accounts.	This is still under consideration. The initial consideration for setting up a new company in the MBC financial ledger could cost the Trust around £10,000, so at the moment investigations are being made into using a smaller separate accounting package. This would still incur a cost, which would be lower than previously reported, and a report on this would be brought to the Committee at the appropriate time.
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 last year and it was agreed that no changes would be made.
4 - VAT	MBC stop claiming VAT on behalf of the Trust and set up a separate VAT registration.	This has been done. With regards to the comment on the possibility of an HMRC challenge this has not yet been forthcoming, and the MBC VAT officer is aware of the situation.

3.4 Section 7 deals with recommendations that have been made following the 2015/16 audit. These are summarised as follows:

<b>Issue</b>	<b>Summary</b>	<b>Management Response</b>
1 – Café records	The auditors encountered some difficulties with accessing the records they required.	The recommendation has been noted and improvements to the maintenance of records have now been made.
2 – Potential tax on commercial trading activities	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 could be reached during 2016/17.	The situation will be monitored closely during 2016/17 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 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.
3 – Financial performance at the café	The café has made trading losses since it opened, which are not sustainable.	The Committee has already received a report on the actions being taken to improve the financial position, and will continue to be advised of the situation.
4 – Car park income	The records relating to car park income could be improved.	Officers have accepted this recommendation and steps are being taken to ensure that the records are improved.
5 – Amortisation of website costs	This was not included in the draft accounts submitted for audit.	The point is noted. Amortisation is now shown in the accounts and will be for any future purchases of a similar nature.

3.5 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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#### **4. AVAILABLE OPTIONS**

4.1 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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#### **5. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

5.1 That the Committee notes the contents of the Management Letter and the proposed courses of action from officers.

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

6.1 Not applicable.

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

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

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#### **8. 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.	Section 151 Officer & Finance Team
<b>Financial</b>	The financial implications are outlined in the report.	Section 151 Officer & Finance Team
<b>Staffing</b>	None	
<b>Legal</b>	None	Legal Team, Section 151 Officer & Finance Team
<b>Equality Impact Needs</b>	None	

<b>Assessment</b>		
<b>Environmental/Sustainable Development</b>	None	
<b>Community Safety</b>	None	
<b>Human Rights Act</b>	None	
<b>Procurement</b>	None	
<b>Asset Management</b>	None	

**9. REPORT APPENDICES**

The following documents are to be published with this report and form part of the report:

- Appendix A: Management Letter

**10. BACKGROUND PAPERS**

None.