

TITLE	Certification of Claims and Returns – Claims and Returns Organised by Local Authorities
FOR CONSIDERATION BY	Audit Committee on 8 February 2017
WARD	None specific
DIRECTOR	Graham Ebers, Director of Corporate Services

OUTCOME/BENEFITS TO THE COMMUNITY

The report provides the Audit Committee with information on the various claims and returns for which local authorities are required to make their own audit arrangements.

RECOMMENDATION

That the Audit Committee notes the Audit Certification Reports 2015/16 for the Teachers' Pension Return ; the Pooling of Housing Capital Receipts Return, and the Review of Sub Contracting Arrangements for the Skills Funding Agency (SFA).

SUMMARY OF REPORT

Since 2013/14 the Teachers' Pension return is no longer included in the overall audit of the Council's Statements of Accounts by the Council's auditors Ernst and Young. Local education authorities have therefore had to make their own audit arrangements for this return since 2013/14.

A further change made during 2014/15, requiring relevant local authorities to make their own audit arrangements for the annual Housing Pooled Capital Receipts return.

In addition to the above changes, the Skills Funding Agency (SFA), a Government agency, required that all local authorities which use sub-contractors for SFA functions such as adult learning with an overall annual value of over £100k are to have an annual audit of the relevant sub-contracting arrangements.

The arrangements for each of these audits, together with the key outcomes, are set out below.

The cost of the 2016/17 audits of these three claims is expected to be similar to the costs incurred in the audit of the 2015/16 figures which are reported below.

Background

Local authorities are required under legislation to make appropriate arrangements for certain grant claims and government returns to be audited.

Analysis of Issues in Individual Claims**1. Teachers Pensions Return (EOYCa)**

This is an annual return required by the Department of Education by 30th November each year which covers the teachers pension contributions to the Teachers Pensions

Scheme. The cost for the audit of the 2015/16 Teachers Pensions return by the Wokingham firm, Rice Associates, was £900 the same as for 2014/15 (and less than the £2,760 in 2012/13 when it was undertaken by Ernst and Young) . The cost has been met from the 2016/17 budget.

The auditor confirmed that *‘we conclude that, the attached form EOYCa for the year ended 31 March 2016 has been prepared, in all material respects (materiality level of £75,000 used) in accordance with the Regulations underpinning the Teachers’ Pension Scheme’*. The auditor also confirmed that there were no other exceptions or matters that should be reported.

The auditor approved the Council’s return within the deadline.

2. Pooling of Housing Capital Receipts Return

This is an annual return required by the Department of Communities and Local Government (DCLG) by the 30th November which sets out details of sale of council houses and flats under Right to Buy legislation by local authorities with a Housing Revenue Account (HRA). The return sets out the number of properties sold, the cash received less admin fee, the amount which must be paid to the Government, and the amount to be reinvested in social housing. In 2015/16 eight Right to Buy (RTB) and one non RTB properties were sold for a total of £1.288m, of which £297k had to be repaid to DCLG, with most of the remainder required for reinvestment in social housing in the borough.

A local auditor, Choice Accountants carried out the audit of the 2015/16 return at a cost of £1,425, which compared to a cost of £1,500 incurred for the audit of the 2014/15 return. The auditor confirmed that the return was correct and certified using the DCLG’s internet returns portal.

3. Providing External Assurance on Sub-Contracting Controls

The Government’s Skills Funding Agency (SFA) uses local authorities to manage contracts to deliver adult learning services, which are generally with third party providers such as colleges, charities or businesses. The SFA includes a clause in its funding arrangements whereby bodies in receipt of SFA funding have to provide an annual subcontracting assurance if £100,000 or more is subcontracted in the year. This is required so that councils or other bodies in receipt of SFA funds ensure that any colleges or other providers meet the SFA’s requirements i.e. the provision of high quality services with remedial action taken where services do not meet the required quality levels. The audit was introduced to ensure that councils have sufficient procedures and mechanisms to check whether providers are delivering the high quality services as set out in the respective contracts, and to ensure that providers take the corrective action required as necessary.

The audit was largely operational, not financial, in nature and of a very specialist nature. A company which specializes in SFA audits, *Per4mance Solutions*, was selected at a cost of £1,550. The audit was completed on 13th January 2017 and the council’s SFA funded adult learning services passed the audit requirements without qualifications. The required certificate has been issued and will be supplied to the SFA by the 30th January 2017 deadline. It was noted that all recommended actions from the previous report had been completed.

Although the audit was unqualified there were a few minor recommendations – listed below - which the auditors required the service to include in an Implementation Plan.

1. Wokingham Council to consider the development of an independent check on the following requirements to ensure that:
 - a. Ofsted has not rated the leadership & management of the provider as inadequate;
 - b. A provider does meet minimum standards;
 - c. Financial health assessments carried out by the SFA do not rate the provider as inadequate.
2. Wokingham Council ensures it signs all contracts with subcontractors prior to activity commencing.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	Within existing budgets	Yes	Revenue
Next Financial Year (Year 2)	Within existing budgets	Yes	Revenue
Following Financial Year (Year 3)	Within existing budgets	Yes	Revenue

Other financial information relevant to the Recommendation/Decision

Included in 2016/17 budget and 2017/18 draft budget.

Cross-Council Implications

N/A

List of Background Papers

Teachers Pensions Return EOYCa Report

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