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| TITLE | Certification of Claims and Returns – Annual Report 2012/13 |
| FOR CONSIDERATION BY | Audit Committee on 4 February 2014 |
| WARD | None specific |
| DIRECTOR | Graham Ebers, Director of Finance and Resources |

OUTCOME/BENEFITS TO THE COMMUNITY

The report provides the Audit Committee with information on the Council's grant claims and returns which were subject to audit for the financial year 2012/13 and on the indicative fee for 2013/14.

RECOMMENDATION

That the Audit Committee:

- 1) Notes Ernst and Young's Grants Audit Annual Certification Report 2012/13;
- 2) Approves the proposed fee of £8,000 for the certification of grant claims and returns for 2013/14.

SUMMARY OF REPORT

In 2012/13, Ernst and Young certified four claims with a total value of £89.1m. None of the claims subject to certification were qualified or amended, see the 'Summary of 2012-13 certification work' section in Ernst and Young's attached letter. The actual fee payable of £9,900 is the same as the estimated amount approved in February 2013.

The proposed fee of £8,000 for certification of 2013/14 grant claims is set by the Audit Commission and is a 19% reduction on the fee for certification of 2012/13 claims of £9,900.

Background

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

Analysis of Issues

The fee for the audit of the 2013/14 grant claims and returns is £8,000 compared to £9,900 for 2012/13 (a 19% reduction). The cost will be met from the 2014/15 budget. In the event that any additional work is required, an additional fee would be payable subject to negotiation and agreement in advance

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) | £8,000 | Yes | Revenue |
| Next Financial Year (Year 2) | | | |
| Following Financial Year (Year 3) | | | |

Other financial information relevant to the Recommendation/Decision

Included in 2014/15 draft budget

Cross-Council Implications

N/A

List of Background Papers

Ernst and Young Annual Certification Report January 2014

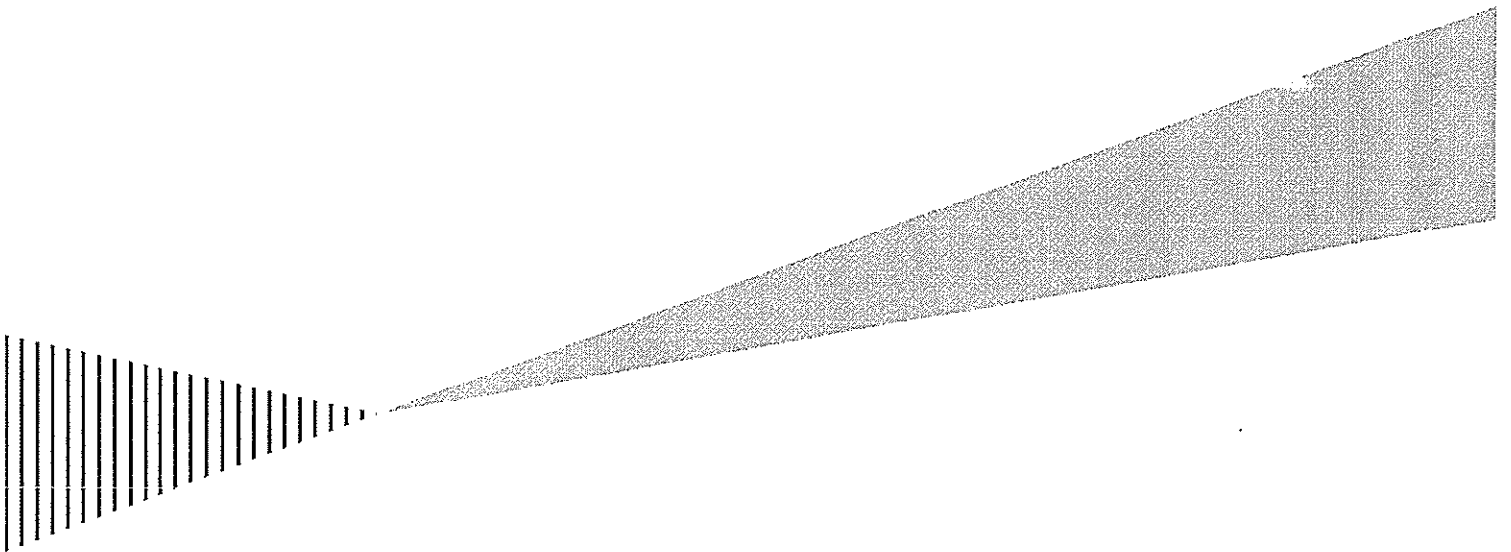
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| Date 23 January 2014 | Version No. 1 |

Certification of claims and returns annual report 2012-13

Wokingham Borough Council

January 2014

Ernst & Young LLP





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Wokingham Borough Council
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January 2014

Dear Members

Certification of claims and returns annual report 2012-13 Wokingham Borough Council

We are pleased to report on our certification work. This report summarises the results of our work on Wokingham Borough Council's 2012-13 claims and returns.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and are required to complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require certification from an appropriately qualified auditor of the claims and returns submitted to them.

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. When such arrangements are made, certification instructions issued by the Audit Commission to appointed auditors of the audited body set out the work they must undertake before issuing certificates and set out the submission deadlines.

Certification work is not an audit. Certification work involves executing prescribed tests which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions.

In 2012-13, the Audit Commission did not ask auditors to certify individual claims and returns below £125,000. The threshold below which auditors undertook only limited tests remained at £500,000. Above this threshold, certification work took account of the audited body's overall control environment for preparing the claim or return. The exception was the housing and council tax benefits subsidy claim where the grant paying department set the level of testing.

Where auditors agree it is necessary audited bodies can amend a claim or return. An auditor's certificate may also refer to a qualification letter where there is disagreement or uncertainty, or the audited body does not comply with scheme terms and conditions.

Statement of responsibilities

In March 2013 the Audit Commission issued a revised version of the 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and



returns' (statement of responsibilities). It is available from the Chief Executive of each audited body and via the Audit Commission website.

The statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

This annual certification report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Summary

Section 1 of this report outlines the results of our 2012-13 certification work..

We checked and certified four claims and returns with a total value of £89,113,631.02. We met all submission deadlines. We did not identify any errors in the claims submitted, however one claim was submitted on the incorrect form and a replacement was provided.

Fees for certification work are summarised in section 2. The Audit Commission applied a general reduction of 40% to certification fees in 2012-13. We have included the actual fees for 2011-12 and their values after the 40% reduction to assist year on year comparisons.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee on 4 February 2014.

Yours faithfully

Maria Grindley
Director
Ernst & Young LLP
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Certification of claims and returns annual report 2012-13

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1. Summary of 2012-13 certification work

We certified 4 claims and returns in 2012-13. The main findings from our certification work are provided below.

Housing and council tax benefits subsidy claim

| Scope of work | Results |
|--|----------------------------|
| Value of claim presented for certification | £28,984,879 |
| Limited or full review | Full |
| Amended | Not amended |
| Qualification letter | No |
| Fee - 2012-13 | £8,190 |
| Fee - 2011-12 | £9,284 |
| Recommendations from 2011-12: | Findings in 2012-13 |
| None | None |

Councils run the Government's housing and council tax benefits scheme for tenants and council taxpayers. Councils responsible for the scheme claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

Teachers' superannuation return

| Scope of work | Results |
|---|---|
| Value of return presented for certification | £8,691,394.83 |
| Limited or full review | Full |
| Amended | Not Amended |
| Qualification letter | No |
| Fee - 2012-13 | £580 |
| Fee - 2011-12 | £210 |
| Recommendations from 2011-12: | Findings in 2012-13 |
| None | Incorrect form was submitted for certification, a replacement was prepared on the correct form. |

The Teachers' Pension Scheme is a contributory pension scheme run separately from the local government pension scheme and administered by Teachers' Pensions on behalf of the Department for Education. Councils must complete a return setting out what they have collected under the scheme and how much they need to pay over to the Government. Auditors are required to carry out checks on the return made.

We found no errors on the teachers' superannuation return and certified the amount payable without qualification.

National non-domestic rates return

| Scope of work | Results |
|---|----------------------------|
| Value of return presented for certification | £50,479,755.49 |
| Limited or full review | Full |
| Amended | Not amended |
| Qualification letter | No |
| Fee – 2012-13 | £720 |
| Fee – 2011-12 | £1,932 |
| Recommendations from 2011-12: | Findings in 2012-13 |
| None | None |

The Government runs a system of non-domestic rates using a national uniform business rate. Councils responsible for the scheme collect local business rates and pay the rate income over to the Government. Councils have to complete a return setting out what they have collected under the scheme and how much they need to pay over to the Government.

We found no errors on the national non-domestic rates return and we certified the amount payable to the pool without qualification.

Pooling of housing capital receipts

| Scope of work | Results |
|---|-----------------------------------|
| Value of return presented for certification | £957,601.70 |
| Limited or full review | Full |
| Amended | Not amended |
| Qualification letter | No |
| Fee – 2012-13 | £410 |
| Fee – 2011-12 | £0 – not subject to certification |
| Recommendations from 2011-12: | Findings in 2012-13 |
| None | None |

Councils pay part of a housing capital receipt into a pool run by the Department of Communities and Local Government. Regional housing boards redistribute the receipts to those councils with the greatest housing needs. Pooling applies to all local authorities, including those that are debt-free and those with closed Housing Revenue Accounts, who typically have housing receipts in the form of mortgage principal and right to buy discount repayments.

We found no errors on the pooling of housing capital receipts return and we certified the amount payable to the pool without qualification.

2. 2012-13 certification fees

For 2012-13 the Audit Commission replaced the previous schedule of maximum hourly rates with a composite indicative fee for certification work for each body. The indicative fee was based on actual certification fees for 2010-11 adjusted to reflect the fact that a number of schemes would no longer require auditor certification. There was also a 40 per cent reduction in fees reflecting the outcome of the Audit Commission procurement for external audit services.

The indicative composite fee for Wokingham Borough Council for 2012-13 was £9,900. The actual fee for 2012-13 was £9,900. This compares to a charge of £14,698 in 2011-12.

| Claim or return | 2011-12 | 2011-12 | 2012-13 | 2012-13 |
|--|-----------------|---|------------------------|------------------|
| | Actual fee £ | 2011-12 fee less 40% reduction £ | Indicative fee £ | Actual fee* £ |
| Teachers' superannuation return (1) | 455 | 273 | 580 | 580 |
| Certification of other claims and returns (1) | 14,243 | 8,546 | 9,320 | 9,320 |
| Total | | | | |

(1) Fees for annual reporting and for planning, supervision and review have been allocated directly to the claims and returns. These costs totalling £736 were separately identified in 2011/12; these have been allocated to the individual claims in the table above.

*The fees are currently subject to review by the Audit Commission and we will inform you of any changes to the 2012/13 fee as a result of this.

3. Looking forward

For 2013-14, the Audit Commission has calculated indicative certification fees based on the latest available information on actual certification fees for 2011-12, adjusted for any schemes that no longer require certification. The Audit Commission has indicated that the national non-domestic rates return will not require certification from 2013-14.

The Council's indicative certification fee for 2013-14 is £8,000. The actual certification fee for 2013-14 may be higher or lower than the indicative fee, if we need to undertake more or less work than in 2011-12 on individual claims or returns. Details of individual indicative fees are available at the following link:

<http://www.audit-commission.gov.uk/audit-regime/audit-fees/201314-fees-and-work-programme/individual-certification-fees/>

We must seek the agreement of the Audit Commission to any proposed variations to indicative certification fees. The Audit Commission expects variations from the indicative fee to occur only where issues arise that are significantly different from those identified and reflected in the 2011-12 fee.

The Audit Commission has changed its instructions to allow appointed auditors to act as reporting accountants where the Commission has not made or does not intend to make certification arrangements. This removes the previous restriction saying that the appointed auditor cannot act if the Commission has declined to make arrangements. This is to help with the transition to new certification arrangements, such as those DCLG will introduce for business rates from 1 April 2013.

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