

<b>TITLE</b>	<b>Certification of Claims and Returns – Annual Report 2013/14</b>
<b>FOR CONSIDERATION BY</b>	Audit Committee on 10 February 2015
<b>WARD</b>	None specific
<b>DIRECTOR</b>	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 2013/14, and on the changes compared to 2012/13; and on the indicative fee for 2014/15.

#### **RECOMMENDATION**

That the Audit Committee:

- 1) Notes Ernst and Young's Grants Audit Annual Certification Report 2013/14;
- 2) Approves the proposed fee of £12,140 for the certification of grant claims and returns for 2014/15.

#### **SUMMARY OF REPORT**

In 2013/14, Ernst and Young certified two claims with a total value of £24.4m, compared to four claims in 2012/13. None of the claims subject to certification were qualified, see the 'Summary of 2013-14 certification work' section in Ernst and Young's attached letter. However, the actual fee payable of £10,984 is higher than the estimated amount of £8,000 approved in February 2014 and reflects extra work required on the housing benefits subsidy claim, and also on the pooling of housing capital receipts return due to minor errors in each return. The issues raised on each claim will be addressed at a meeting of the relevant officers and an appropriate action plan produced to ensure the necessary actions are undertaken.

The proposed fee for certification of 2014/15 grant claims is £12,140 and is an increase on the 2013/14 total of £10,984.

#### **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 2014/15 grant claims and returns is £12,140 compared to £10,984 for 2013/14 (a 10% increase). The cost will be met from the 2015/16 budget. In the event that any additional work is required, an additional fee would be payable subject to negotiation and agreement in advance.

The two claims which were not subject to audit in 2013/14 were the National Non Domestic Rates (NNDR) return, which no longer requires certification, and the Teachers' Pension return for which the authority is required to make its own audit arrangements from 2014/15 onwards.

The Teachers Pensions return for 2013/14 has been audited by a Wokingham audit practice and a report on this return is included on this agenda.

#### **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)	£12,140 in 2015/16 (re 2014/15 accounts)	Yes	Revenue
Next Financial Year (Year 2)	N/A	N/A	Revenue
Following Financial Year (Year 3)	N/A	N/A	Revenue

#### **Other financial information relevant to the Recommendation/Decision**

Included in 2015/16 draft budget

#### **Cross-Council Implications**

N/A

#### **List of Background Papers**

Ernst and Young Annual Certification Report January 2015

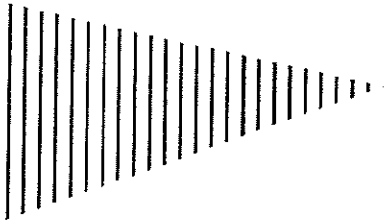
<b>Contact</b> Stephen McGrail	<b>Service</b> Finance and Resources
<b>Telephone No</b> 0118 974 6560	<b>Email</b> Stephen.McGrail@wokingham.gov.uk
<b>Date</b> 29 January 2015	<b>Version No.</b> 1

# Certification of claims and returns annual report 2013-14

Wokingham Borough Council

15 January 2015

Ernst & Young LLP



Building a better  
working world



Ernst & Young LLP  
Apex Plaza  
Forbury Road  
Reading  
RG1 1YE

Tel: + 44 118 928 1599  
Fax: + 44 118 928 1101  
ey.com

The Members of the Audit Committee  
Wokingham Borough Council  
Shute End  
Wokingham  
RG40 1BN

15 January 2015  
Ref: WBC-ACR-1314

Direct line: + 44 118 928 1667  
Email: [Mgrindley@uk.ey.com](mailto:Mgrindley@uk.ey.com)

Dear Members

## **Certification of claims and returns annual report 2013-14 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 2013-14 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 must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify 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 the submission deadlines.

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

In 2013-14, 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 the Audit Commission website.



Building a better  
working world

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. As appointed auditor we take no responsibility to any third party.

### **Summary**

Section 1 of this report outlines the results of our 2013-14 certification work and highlights the significant issues.

We checked and certified 2 claims and returns with a total value of £ 24,423,599. We met all submission deadlines. Our certification work found errors in both, which the Council corrected. The amendments had no effect on the grant due.

Fees for certification work are summarised in section 2. The indicative fees for 2013-14 are based on final 2011-12 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification have been removed, and the fees for certification of housing benefit subsidy claims have been reduced by 12 per cent. This is to reflect the removal of council tax benefit from the scheme.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee on 10 February 2015.

Yours faithfully

**Maria Grindley**  
Director  
Ernst & Young LLP  
Enc

## Contents

1. Summary of 2013-14 certification work .....	1
2. 2013-14 certification fees.....	3
3. Looking forward.....	4

## 1. Summary of 2013-14 certification work

We certified 1 claim and 1 return in 2013-14. Our main findings are shown below.

### Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£24,186,940
Limited or full review	Full
Amended	Amended – subsidy not reduced
Qualification letter	No
Fee – 2013-14	£9,577
Fee – 2012-13	£13,796
<b>Recommendations from 2012-13:</b>	<b>Findings in 2013-14</b>
None	Assessors should ensure that they treat backdated expenditure correctly

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

The certification guidance requires auditors to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. We found one error in relation to the treatment of expenditure classified incorrectly as backdated expenditure and we carried out extended testing in this area.

Our extended testing covered the full population of the cell, and resulted in the amount in one cell being amended. This did not result in a reduction in the amount of subsidy payable as the error had no overall impact on the amount claimed.

### Pooling of housing capital receipts

Scope of work	Results
Value of return presented for certification	£236,659
Limited or full review	Full
Amended	Amended - no financial impact
Qualification letter	No
Fee – 2013-14	£1,407
Fee – 2012-13	£1,184
<b>Recommendations from 2012-13:</b>	<b>Findings in 2013-14</b>
None	A number of properties were misclassified between the types, resulting in amendments to the return.

Councils pay part of a housing capital receipt into a pool run by the Department of Communities and Local Government. Regional housing boards then 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 a number of minor errors on the pooling of housing capital receipts return, which were amended. We certified the amount payable to the pool without qualification.



## 2. 2013-14 certification fees

From 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 fees for 2013-14 are based on actual certification fees for 2011-12, reflecting the amount of work required by the auditor to certify the relevant claims and returns in that year. There was also a 40 per cent reduction in fees reflecting the outcome of the Audit Commission procurement for external audit services.

The 2013-14 fee for certification of housing benefit subsidy claims has been reduced from the indicative fee by a further 12% to reflect the removal of council tax benefit from the scheme.

Claim or return	2012-13	2013-14	2013-14
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim <sup>1</sup>	13,796	6,917	9,577
Pooling of Housing Capital Receipts Return <sup>2</sup>	1,184	0	1,407
National Non-domestic Rates Return <sup>3</sup>	2,391	N/A	N/A
Teachers' Pensions <sup>4</sup>	2,760	N/A	N/A
<b>Total</b>	<b>20,131</b>	<b>6,917</b>	<b>10,984</b>

### Notes:

1. The 2013-14 fee for certification of housing benefit subsidy claims has been increased by £2,660, this is to reflect the increased work were required to undertake to quantify the impact of the errors identified.
2. The pooling of housing capital receipts return was not required to be certified in 2011-12 and was not included in the indicative fee, a fee of £1,407 has been agreed with the Audit Commission for this work
3. The NNDR return was not subject to certification from 2013-14 onwards: however, as in previous years we gained assurance from this work for our opinion, we had to carry out extra work on the opinion audit to cover this. There was an additional fee of £1,470, which was reported to the Audit Committee in November 2014.
4. The Teachers' Pension return was not subject to certification under the Audit Commission arrangements in 2013-14. The authority was required to make their own arrangements to meet the certification requirements of the Teachers' Pension Agency

### 3. Looking forward

For 2014-15, the Audit Commission has calculated indicative certification fees based on the latest available information on actual certification fees for 2012-13, adjusted for any schemes that no longer require certification.

The Council's indicative certification fee for 2014-15 is £12,140. The actual certification fee may be higher or lower if we need to undertake more or less work than in 2012-13 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/201415-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 2012-13 fee.

DCLG and HM Treasury are working with grant-paying bodies to develop assurance arrangements for certifying claims and returns following the closure of the Commission (due April 2015).

The Audit Commission currently expects that auditors will continue to certify local authority claims for housing benefit subsidy from the Department for Work and Pensions (DWP) under the arrangements developed by the Commission. The DWP has asked the Commission to prepare the auditor guidance for 2014-15. Arrangements for 2015-16 onwards are to be confirmed, but DWP envisages that auditor certification will be needed until 2016-17, when Universal Credit is expected to replace housing benefit.

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 Teachers' Pensions introduced for the Teachers' Pensions return for 2013-14.