

# Agenda Item 18.

<b>TITLE</b>	<b>Certification of Claims and Returns – Claims and Returns Organised by Local Authorities</b>
<b>FOR CONSIDERATION BY</b>	Audit Committee on 5 June 2019
<b>WARD</b>	None Specific
<b>DIRECTOR</b>	Deputy Chief Executive - Graham Ebers

## **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 2017/18 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 appointed by the Audit Commission, Ernst and Young. Local education authorities have had to make their own audit arrangements for this return since 2013/14.

A further change was made during 2014/15, whereby relevant local authorities are now required 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 all local authorities which use sub contractors for SFA functions such as adult learning with an overall annual value of over £100k, to have an annual audit of the sub contracting arrangements completed.

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

The cost of the 2018/19 audits of the three claims is expected to be similar to the audit of the 2017/18 figures and arrangements 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 2017/18 Teachers Pensions return by the Wokingham firm, Rice Associates, was £995, a £45 increase from the cost for the previous year, (but less than the £2,760 in 2012/13 when it was undertaken by Ernst and Young) . The cost has been met from the 2018/19 budget.

During the audit, 2 small errors were discovered. The additional audit time in relation to these errors cost an additional £200 for 17/18, bringing the total audit cost to £1,195. The auditors have seen email correspondence showing that work is ongoing to correct the errors identified. These errors have now been addressed and corrected.

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 Ministry of Housing, Communities and Local Government (MHCLG) 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). It sets out the number of properties sold, the cash received less admin fee, and the amount which must be paid to the Government, and the amount to be reinvested in social housing. In 2017/18, seven Right to Buy (RTB) properties were sold for £1.153m and three non RTB properties sold for £1.163k, giving a total sales receipt of £2.316m, of which £292k had to be repaid to DCLG, with most of the remainder restricted for reinvestment in social housing in the borough.

A local auditor, Haines Watts (formerly Choice Accountants), was selected at a cost of £1,425, the same as in 2015/16 and 2016/17, compared to a cost of £1,500 for the 2014/15 accounts. The auditor confirmed that the return was correct and certified using the MHCLG's internet returns portal (DELTA).

#### **3. Providing External Assurance on Sub-Contracting Controls**

Recipients of ESFA 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 ESFA funds ensure that any colleges or other providers meet the ESFA's requirements. The ESFA's key requirements are the need for colleges and other providers to provide high quality services and to take action 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 ESFA audits, Per4mance Solutions, was selected at a cost of £1,550. The audit was completed on 19th January 2019, and the required certificate issued and will be supplied to the ESFA by the 30th January 2018 deadline. All recommended actions from the previous report had been completed. The council's ESFA funded adult learning services passed the audit requirements without qualifications. Two minor recommendations were made which have already been actioned.

#### **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

<b>Other financial information relevant to the Recommendation/Decision</b>
None

<b>Cross-Council Implications</b>
None

<b>List of Background Papers</b>
N/A

<b>Contact</b> Mark Thompson	<b>Service</b> Business Services
<b>Telephone No</b> Tel: 0118 974 6555	<b>Email</b> mark.thompson@wokingham.gov.uk

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