

# Agenda Item 52.

<b>TITLE</b>	<b>Certification of Claims and Returns – Claims and Returns Organized by Local Authorities</b>
<b>FOR CONSIDERATION BY</b>	Audit Committee on 10 February 2016
<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 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 2014/15 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 audit of the three claims is expected to be similar in 2015/16 to the 2014/15 actual costs 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 30<sup>th</sup> November

each year which covers the teachers pension contributions to the Teachers Pensions Scheme. The cost for the audit of the 2014/15 Teachers Pensions return by the Wokingham firm, Rice Associates, was £900 compared to an actual fee of £800 in 2013/14 (and £2,760 in 2012/13 when it was undertaken by Ernst and Young) . The cost has been met from the 2015/16 budget.

The auditor confirmed that *'in our conclusion the attached form EOYCa for the year ended 31 March 2015 has been prepared, in all material aspects, in accordance with the regulations underpinning the Teachers' Pension Scheme'*. However, during the 2013/14 audit, the auditor identified that the Council should have more rigorous controls to evidence the correct deduction of pension payments by those schools which have responsibility for their own payroll. The Council agreed to address this issue at a meeting of the relevant officers and the changes were implemented as quickly as possible following the audit in November 2014. However, because the issue was identified and corrected during the 2014/15 financial year, the auditor included the following in his return : *'We were unable to confirm that between April and October 2014 any such systems were in place or that any supporting evidence had been obtained. We note that procedures have been put in place since November 2014 following our report relating to the year ended 31 March 2014 and recommendations thereon.'*

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 30<sup>th</sup> 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 2014/15 thirteen properties were sold for a total of £1.798m, of which £260k 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, was selected at a cost of £1,500, compared to a cost of £1,407 for the 2013/14 accounts. The auditor confirmed that overall the return was correct apart from one minor error which was amended. The issue was that the calculation of the notional debt figure used in the complex overall calculation to determine how much of the sale receipts should be paid to DCLG had not been calculated using the 1999 notional market value of the houses. Instead of the 1999 figure, the current year market value had been used, which led to a £6,000 error in the debt payable, which has now been corrected.

Although the audit of the return was completed by the deadline, due to software problems in the DCLG's internet returns portal, the return could not be confirmed as completed by the auditor until early January.

## **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 included a new clause in its funding arrangements in 2015/16 whereby bodies in receipt of SFA funding have to provide an annual subcontracting assurance. 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. The SFA'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 SFA audits, *Per4mance Solutions*, was selected at a cost of £1,950. The audit was completed on 8<sup>th</sup> December 2015, and the required certificate issued and supplied to the SFA on 11<sup>th</sup> December 2015, well within the 30<sup>th</sup> January 2016 deadline. Although the council's SFA funded adult learning services passed the audit requirements without qualifications there are a few minor issues which the auditors required the service to include in an Implementation Plan, of which the key items, and deadlines, are set out below :

1. Add a section to the due diligence process to identify any potential conflicts of interest and state clearly whether they exist. If yes, the SFA Chief Executive must be notified – *Already actioned*
2. Identify an appropriate accounting officer to support the selection process and contracting process offering greater financial oversight. – *By 30/03/2016*
3. Extend the Quality Assurance (QA) audits to include staff and learner interviews, learners forums, and stakeholder surveys. *By 30/06/2016*
4. Extend the QA audits to include unannounced visits. *By 30/03/2016*

The council also organized the audit process for West Berkshire Council with the same audit firm, for a small administrative fee.

#### **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)	£4,350 in 15/16 re 2014/15 accounts	Yes	Revenue
Next Financial Year (Year 2)	£4,500 in 16/17 re 2015/16 accounts	Yes	Revenue
Following Financial Year (Year 3)	£4,600 in 17/18 re 2016/17 accounts	Yes	Revenue

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

Included in 2015/16 budget and 2016/17 draft budget.

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

N/A

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

Teachers Pensions Return EOYCa Report January 2015
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