

**Report to** Audit committee  
24 January 2017  
**Report of** Chief finance officer  
**Subject** Certification of claims and returns annual report 2015-16

**Item**

**5**

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**Purpose**

This report presents the Certification of claims and returns annual report 2015-16

**Recommendation**

To review and note the attached report from the council's external auditor.

**Corporate and service priorities**

The report helps to meet the corporate priority Value for money services and the service plan priority.

**Financial implications**

As a result of the audit findings the DWP will recover £87,915 from the council through its January payment. This is the lowest recovery amount in recent years.

**Ward/s:** All

**Cabinet member:** Councillor Stonard, resources and business liaison

**Contact officers**

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**Background documents**

None

# Report

## Introduction

1. The annual grant certification report from the council's external auditors is appended to this report and summarises the findings from the 2015-16 certification work undertaken on claims and returns. The report refers to two returns:
  - (a) the housing benefits subsidy claim; and
  - (b) the capital pooling return.

## Key points to note

2. The committee is asked to note the following significant matters:
  - (a) The housing benefits subsidy claim has again been qualified. Details of the qualification are set out in section 1 of the report. Additional work was required by the auditors because of errors found but officers contributed to this work wherever possible to reduce the additional time required to be spent by the auditors and therefore avoid any additional audit fees.
  - (b) Fees for the housing benefits subsidy certification work are summarised in section 2 of the report.
  - (c) As a result of the audit findings the DWP will recover £87,915 from the council through its January payment. This is the lowest amount the council has had to repay in recent years (2014/15 £116,766, 2013/14 £258,486).
  - (d) The capital pooling return work is referred to in section 3 of the report. There were no significant issues arising from this work. The total fee for this certification work was £2,000.

## Recommendation

3. The committee is recommended to review and note the attached report from the council's external auditor.

# Certification of claims and returns annual report 2015/16

Norwich City Council

12 January 2017

Ernst & Young LLP



Building a better  
working world

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12 January 2017

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Dear Members

## **Certification of claims and returns annual report 2015/16 Norwich City Council**

We are pleased to report on our certification work. This report summarises the results of our work on Norwich City Council's 2015/16 claims.

### **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.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2015/16, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

### **Summary**

Section 1 of this report outlines the results of our 2015/16 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £65,104,197. We met the submission deadline. We issued a qualification letter; details of the qualification matters are included in section 1.

Fees for certification work are summarised in section 2. The housing benefits subsidy claim fees for 2015/16 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2015 and are available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)).



We welcome the opportunity to discuss the contents of this report with you at the 24 January 2017 Audit Committee.

Yours faithfully

Mark Hodgson  
Executive Director  
Ernst & Young LLP  
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## Contents

<b>1. Housing benefits subsidy claim .....</b>	<b>1</b>
<b>2. 2015/16 certification fees .....</b>	<b>3</b>
<b>3. Other assurance work.....</b>	<b>4</b>
<b>4. Looking forward .....</b>	<b>5</b>

## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£65,110,895
Amended/Not amended	Amended (subsidy decreased by £6,698).
Qualification letter	Yes
Fee – 2015/16	£35,780
Fee – 2014/15	£39,759

Local Government administers the Government's housing benefits scheme for tenants and can 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. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years claims. We found errors and carried out extended testing in several areas.

Extended and other testing identified errors which the Council amended. They had a small net impact on the claim. We have reported underpayments and uncertainties in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the errors or to claw back the benefit subsidy paid. These are the main issues we reported:

- testing of the initial non-HRA rent rebate sample identified one case where expenditure had been underpaid as a result of miscalculating the claimant's income. Additional testing identified three further errors of this nature resulting in an overpayment of benefit;
- testing of the initial HRA rent rebate sample identified one case where expenditure had been overpaid as a result of miscalculating the claimant's income and two cases where expenditure had been underpaid. Additional testing identified one further error of this nature resulting in an overpayment of benefit;
- testing of the initial rent allowance sample identified three cases where expenditure had been underpaid as a result of miscalculating the claimant's income or applying the incorrect LHA rate. Additional testing identified one further error of this nature also resulting in an underpayment of benefit;
- testing of the initial rent allowance sample identified two cases where expenditure had been overpaid as a result of miscalculating the claimant's weekly rent. Additional testing identified two further errors of this nature, one resulting in an overpayment of benefit and one in an underpayment;
- testing of non-HRA rent rebate eligible overpayments identified one case where the reversal of an eligible overpayment was incorrectly applied resulting in eligible overpayments being overstated. Additional testing identified one case where the information received date had been incorrectly applied also resulting in an overstatement of eligible overpayments;
- testing of HRA rent rebate eligible overpayments identified one case where the eligible overpayment was incorrectly reported resulting in an understatement of eligible overpayments. Additional testing identified one case where the information

received date had been incorrectly applied resulting in an overstatement of eligible overpayments; and

- testing of rent allowance eligible overpayments identified two cases where overpayments were incorrectly classified resulting in an overstatement of eligible overpayments. Additional testing identified three further errors of this nature also resulting in an overpayment of eligible overpayments.



## 2. 2015/16 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2015/16, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) in March 2015 and are available on the PSAA's website ([www.psa.co.uk](http://www.psa.co.uk)).

Claim or return	2015/16	2015/16	2014/15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	35,780	35,780	39,759

The indicative fee for 2015/16 is based on the actual fee for 2013/14 with a 25% reduction in scale fee.

### 3. Other assurance work

During 2015/16 we also acted as reporting accountants in relation to the Housing pooling return.

This work has been undertaken outside the Audit Commission / PSAA regime, and the fees for this are not included in the figures included in this report. They are referred to here for completeness to ensure Members have a full understanding of the various returns that the Council prepares and on which we provide some form of assurance. We did not identify any significant issues as part of our work on this return that needs to be brought to the attention of Members.

## 4. Looking forward

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2016/17 is £ 29,819. This was prescribed by PSAA in March 2016, based on no changes to the work programme for 2015/16. Indicative fees for 2016/17 housing benefit subsidy certification work are based on final 2014/15 certification fees. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable for 2014/15.

Details of individual indicative fees are available at the following web address:  
<http://www.psa.co.uk/audit-and-certification-fees/201617-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Chief Finance Officer before seeking any such variation.

PSAA is currently consulting on the 2017/18 work programme. There are no changes planned to the work required and the arrangements for certification of housing benefit subsidy claims remain in the work programme. However, this is the final year in which these certification arrangements will apply. From 2018/19, the Council will be responsible for appointing their own auditor and this is likely to include making their own arrangements for the certification of the housing benefit subsidy claim in accordance with the requirements that will be established by the DWP.

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