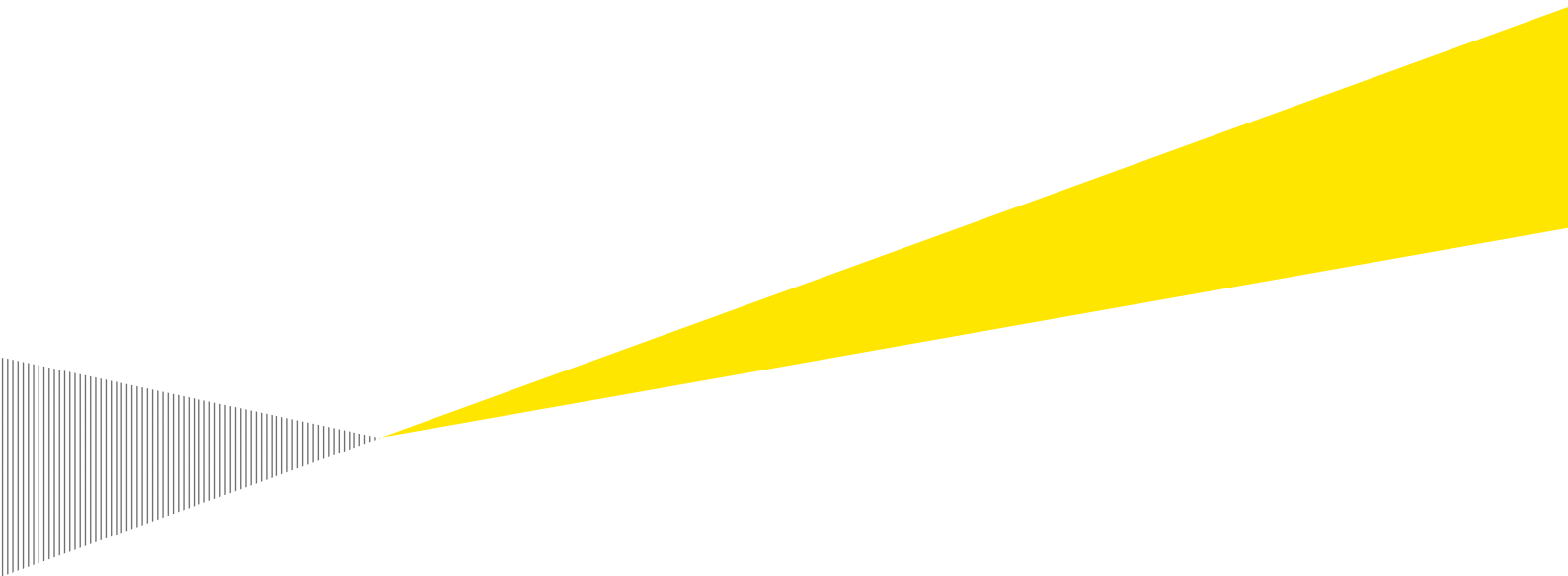


Certification of claims and returns annual report 2013/14

Norwich City Council

12 January 2015



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Building a better
working world

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12 January 2015

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Dear Member

Certification of claims and returns annual report 2013/14 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 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 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 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 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 2013/14 certification work and highlights the significant issues.

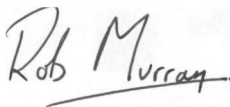
We checked and certified two claims and returns with a total value of £74.3 million. We met the submission deadlines for both the housing benefits subsidy claim and the pooling of capital receipts return.

We issued one qualification letter for the housing benefits subsidy claim. Details of the qualification matters are included in section 1.

Fees for certification work are summarised in section 2. Indicative fees are set by the Audit Commission and reflect the amount of work required by the auditor to certify the claims and returns in that year.

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

Yours faithfully

A handwritten signature in black ink that reads "Rob Murray". The signature is written in a cursive style with a horizontal line underneath the name.

Rob Murray
Director
Ernst & Young LLP
Enc

Certification of claims and returns annual report 2013-14

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1. Summary of 2013/14 certification work

We certified two claims and returns in 2013/14. The main findings from our certification work are provided below.

Housing benefits subsidy claim

| Scope of work | Results |
|--|-------------|
| Value of claim presented for certification | £67,236,395 |
| Amended | Yes |
| Qualification letter | Yes |
| Fee - 2013/14 | £46,365 |
| Fee - 2012/13 | £45,127 |

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+' testing (extended testing) if initial testing identifies errors in the calculation of benefit or compilation of the claim. We found errors and carried out extended testing in several areas.

We reported the impact of errors to the DWP. The following are the main issues included in our qualification letter, the claim was not amended for these:

- Income assessment errors for Non HRA Rent Rebate cases. Extended 40+ testing was applied to quantify results. We reported three errors with an extrapolated error value of £34,269.
- Income assessment errors for Rent Allowance cases. Extended 40+ testing was applied to quantify results. We reported four errors with an extrapolated error value of £88,017.
- Incorrect classification of eligible overpayments for Non HRA Rent Rebate cases. Extended 40+ testing was applied to quantify results. We reported five errors with an extrapolated error value of £2,392.
- Incorrect classification of eligible overpayments for Rent Allowance cases. Extended 40+ testing was applied to quantify results. We reported five errors with an extrapolated error value of £4,509.

The claim was also amended for modified scheme errors. Due to the small population of this cell and a recent history of errors affecting the cell we agreed with the Council to examine the whole population to allow an agreed amendment to be made. Testing of the whole population identified sixteen cases where incorrect war pension income had been applied leading to expenditure misclassification error.

The total value of amendments made to the claim was £124.

Pooling of housing capital receipts

| Scope of work | Results |
|---|----------------|
| Value of return presented for certification | £7,032,822 |
| Limited or full review | Limited review |
| Amended | Yes |
| Qualification letter | No |
| Fee - 2013-14 | £4,030 |
| Fee - 2012-13 | £4,030 |

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.

The return was amended for a receipt (£2,700) received in quarter three but not included in the return. We certified the amount payable to the pool without qualification.

2. 2013/14 certification fees

The indicative fee was based on actual certification fees for 2011-12 adjusted for schemes no longer requiring certification. The fees for certification of housing benefit subsidy claims have been reduced by 12 per cent, to reflect the removal of council tax benefit from the scheme.

Audit work in 2013/14 was completed in line with the indicative composite fee for Norwich City Council, £50,395. This compares to a charge of £49,157 in 2012-13.

| Claim or return | 2012-13 | 2013-14 | 2013-14 |
|---|------------|----------------|------------|
| | Actual fee | Indicative fee | Actual fee |
| | £ | £ | £ |
| Certification of claims and returns including the annual report | 49,157 | 50,395 | 50,395 |

Fees for annual reporting, planning, supervision and review have been allocated directly to the claims and returns.

3. Looking forward

The DCLG and HM Treasury are working with grant-paying bodies to develop assurance arrangements for certifying claims and returns following the closure of the Audit Commission in 2015. Subject to confirmation, we expect these new arrangements to apply to 2014/15 claims and returns and therefore the CFB06 Pooling of housing capital receipts scheme to fall outside the Audit Commission's arrangements.

We expect to certify the Authority's 2014/15 claim for housing benefit subsidy from the Department for Work and Pensions (DWP) under the arrangements developed by the Audit Commission. Arrangements for 2015/16 onwards are to be confirmed, but it is likely that auditor certification will be needed until Universal Credit replaces housing benefit.

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 £38,310. The actual certification fee for 2014/15 may be higher or lower than the indicative fee, 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/proposed-work-programme-and-scales-of-fees-201415/proposed-estimated-indicative-certification-fees/>]

Variations from the indicative fee should only occur only where issues arise that are significantly different from those identified and reflected in the 2012/13 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.

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