

Report to	Audit committee	Item
	19 January 2016	
Report of	Chief finance officer	5
Subject	Certification of claims and returns annual report 2014-15	

Purpose

This report presents the Certification of claims and returns annual report 2014-15

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

There are no direct financial implications from this report.

Ward/s: All

Cabinet member: Councillor Stonard, resources and income generation

Contact officers

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Background documents

None

Report

Introduction

1. This annual certification report, appended to this report, summarises the findings from the 2014-15 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 kept the additional audit fees to a minimum.
 - (b) Fees for the housing benefits subsidy certification work are summarised in section 2 of the report. The additional fee required over the indicative fee is £1,449.
 - (c) The capital pooling return work is referred to in section 3 of the report. The total fee for this certification work was £2,275.

Certification of claims and returns annual report 2014/15

Norwich City Council

7 January 2016

Ernst & Young LLP



Building a better
working world

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Norwich City Council
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7 January 2016

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Dear Members

Certification of claims and returns annual report 2014/15 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 2014/15 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.

Under section 28 of the Audit Commission Act 1998, as transitionally saved, the Audit Commission made arrangements for certifying claims and returns in respect of the 2014/15 financial year. 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.

Statement of responsibilities

The Audit Commission's 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities) applied to this work. It serves as the formal terms of engagement between ourselves as your appointed auditor and the Council as audited body.

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

Summary

Section 1 of this report outlines the results of our 2014/15 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £64.4 million and met the submission deadline. We issued a qualification letter with our submission, the qualification matters are included in section 2. Our certification work found errors which the Council corrected. The amendments had no effect on the grant due.

Fees for certification work are summarised in section 2. The fees for 2014/15 were published by the Audit Commission on 27 March 2014 and are now available on the Public Sector Audit Appointments Ltd (PSAA's) website (www.psaa.co.uk)

We welcome the opportunity to discuss the contents of this report with you at the 19 January Audit Committee.

Yours faithfully

Rob Murray
Executive Director
Ernst & Young LLP
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£64,407,786
Amended	Yes (No impact on subsidy due)
Qualification letter	Yes
Fee – 2014/15	£39,759
Fee – 2013/14	£47,707

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.

We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid. These are the main issues we reported:

- Non HRA Rent Rebates - Testing of the initial sample identified 1 case where the Authority had overpaid benefit as a result of miscalculating the claimant's weekly income. Testing of the additional 40 cases identified no further errors. We reported a total extrapolated error value of £12,261.
- HRA Rent Rebates - Testing of the initial sample identified 1 case where the Authority understated benefit due to miscalculating the claimant's pension credit assessed income. Testing of the additional 40 cases identified two further errors where the Authority overstated benefit due to miscalculating the claimant's pension credit assessed income. We reported a total extrapolated error value of £35,728.
- Rent Allowances - Testing of the initial sample identified 1 case where the Authority had overpaid benefit as a result of miscalculating the claimant's weekly income. Testing of the additional 40 cases identified four further errors where the Authority understated benefit due to miscalculating the claimant's weekly income. We reported a total extrapolated error value of £147.
- Rent Allowances - Testing of the initial sample identified 1 case where the Authority had overpaid benefit as a result of miscalculating the claimant's weekly rent. Testing of the additional 40 cases identified two further errors where the Authority had overpaid benefit due to miscalculating the claimant's weekly rent. We reported a total extrapolated error value of £5,887.
- Rent Allowances – Testing of the initial sample identified 1 case where the Authority had miss-classified benefit payable as a regulated tenancy whereas it should have been expenditure under rent officer arrangements. Testing of the additional 40 cases identified two further errors. We reported a total extrapolated error value of £29,245.
- Non HRA Rent Rebate eligible overpayments classification – Testing identified five cases where the authority misclassified an overpayment as eligible, rather than local authority error. We reported a total extrapolated error value of £4,891.

- HRA Rent Rebate eligible overpayments classification – Testing identified one case where the authority misclassified an overpayment as eligible, rather than local authority error. We reported a total extrapolated error value of £3,776.
- Rent allowance eligible overpayments classification – Testing identified four cases where the authority misclassified an overpayment as eligible, rather than local authority error. We reported a total extrapolated error value of £102,235.

The claim was also amended for backdated subsidy. Due to the small population of this cell we agreed with the Council to examine the whole population. Testing identified normal subsidy of £3,480 was incorrectly reported as backdated subsidy. This had no impact on the amount due to the Council.

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2. 2014/15 certification fees

The Audit Commission determined a scale fee each year for the audit of claims and returns. For 2014/15, these scale fees were published by the Audit Commission on 27 March 2014 and are now available on the PSAA's website (www.psaa.co.uk).

Claim or return	2013/14	2014/15	2014/15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	47,707	38,310	39,759

This includes fees for annual reporting, planning, supervision and review.

The indicative fee for 2014/15 is based on 2012/13, therefore additional fee can only be raised if we undertake more testing than what was required in 2012/13. The errors identified in the 2014/15 audit resulted in two more areas of extended testing than the base year.

The actual fee is £1,449 higher than the indicative fee to reflect this additional testing.

Our proposed final fee has been discussed with officers. This is subject to review by PSAA who will determine a final scale fee which will not exceed the £39,759 above.

3. Other assurance work

During 2014/15 we also acted as reporting accountants in relation to the following scheme:

- Housing pooling return.

We have provided a separate report to the Council in relation to this 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 2015/16 is £35,780. This was prescribed by PSAA in April 2015, based on no changes to the work programme for 2015/16.

Details of individual indicative fees are available at the following web address:

<http://www.psaa.co.uk/audit-and-certification-fees/201516-work-programme-and-scales-of-fees/individual-fees-for-local-government-bodies>

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.

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