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Certification of claims and returns annual report 2013/14

New Forest District Council

January 2015

Ernst & Young LLP



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15 January 2015

Dear Members

Certification of claims and returns annual report 2013/14 New Forest District Council

We are pleased to report on our certification work. This report summarises the results of our work on New Forest District 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 sets 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 one claim, and one return with a total value of £46,735,560. We met both submission deadlines. We issued a qualification letter in relation to the housing benefits subsidy claim and details of the qualification matters are included in section 1. There were no amendments required to be made to the Pooling of Housing Capital Receipts return.

Fees for certification work are summarised in section 2.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee on 23 January 2015.

Yours faithfully

Helen Thompson
Director
For and on behalf of Ernst & Young LLP
Southampton

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1. Summary of 2013/14 certification work

We certified one claim and one return 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	£43,823,858
Limited or full review	Full
Amended	Amended – Subsidy reduced by £2,643
Qualification letter	Yes
Fee – 2013/14	£7,322
Fee – 2012/13	£6,440

Recommendations from prior year 2012/13:

None

Councils run the Government's housing benefits scheme, and 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. Our initial testing found three errors which resulted in additional work being undertaken, these are summarised in the table below:

Finding in initial sample

Non-HRA

Initial testing identified one Non HRA overpayment which was incorrectly classified as an eligible error rather than a technical overpayment.

Non HRA

Testing of the initial sample identified one case where the Authority used an incorrect bed and breakfast rate (£115.38 instead of £121.15) for three 'out of area' bed and breakfast properties.

Rent allowances

Testing of the initial sample identified two underpayment cases, with the potential for overpayment errors, as a result of miscalculating the claimant's weekly income

Audit Response

The case involved the ending of a rent liability through the death of a claimant. A £2,600 adjustment was made to the claim but we identified that the overpayment data used in this working paper is gross and not net of underpayments. As the movement is from a cell that attracts subsidy to a cell that does not there is no possibility of overstating subsidy. We have not reported this because the error is in DWP favour and would amount to only a few pounds.

The error was identified in our initial sample and officers examined all affected cases. This resulted in a £196 reduction to cell 13 and a corresponding increase to cell 12. As the subsequent error is representative of the full population, officers acted reasonably in making this adjustment, with no further auditor testing necessary.

Testing of an additional sample of 40 cases identified two overpayments (total value £27) and one further underpayment case. The findings were extrapolated and the adjustment of £1,181 reported in the Qualification Letter.

We would also like to acknowledge the support we receive from Internal Audit in completing our work on the housing benefits subsidy claim. They carry out the majority of the detailed initial and extended testing which we review as part of our procedures. This enables us to complete the work within the fee set by the Audit Commission.

Pooling of housing capital receipts

Scope of work	Results
Value of return presented for certification	£2,911,702
Limited or full review	Limited
Amended	No
Qualification letter	No
Fee – 2013/14	£779
Fee – 2012/13	£1,569
Recommendations from 2012/13:	Findings in 2013-14
None	N/A

Councils pay part of a housing capital receipt into a pool run by the Department of Communities and Local Government (DCLG). Regional housing boards redistribute the receipts to those councils with the greatest housing needs. Pooling applies to all local authorities who have a housing function, 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 testing that we carried out did not identify any errors or the need for any amendments to be made to the return that was submitted to us. We therefore certified the return without qualification or amendment.

2. 2013/14 certification fees

The Audit Commission sets composite indicative fee for certification work for each body. The indicative fee for 2013/14 was initially based on actual certification fees for 2011/12, reduced by 40%. This was then further adjusted to reflect the fact that a number of schemes would no longer require auditor certification, and a 12% reduction was also applied to the Housing Benefit Subsidy claim due to the replacement of Council Tax Benefit with Council Tax Support which is not part of that claim.

The indicative composite fee for New Forest District Council for 2013/14 was £8,101

We have completed the work required within this indicative fee total.

Claim or return	2013/14	2013/14	2012/13
	Indicative fee	Actual fee	Actual
	£	£	£
Housing and council tax benefits subsidy	7,322	7,322	6,440
National non-domestic rates return	n/a	n/a	1,540
Pooling of housing capital receipts return	779	779	1,569
Total	8,101	8,101	9,549

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

3. Looking forward

The Council's indicative certification fee for 2014/15 is £5,670. This is based on the outturn from 2012/13 certification work, adjusted for claims no longer requiring review. 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/201415-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

We must seek the agreement of the Audit Commission, or its successor body, to any proposed variations to indicative certification fees. The Audit Commission expects variations from the indicative fee to 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.

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