

Certification of claims and returns annual report 2013-14

Winchester City Council

26 January 2015

Ernst & Young LLP



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Dear Members

Certification of claims and returns annual report 2013-14 Winchester City Council

We are pleased to report on our certification work. This report summarises the results of our work on Winchester 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 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

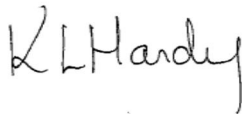
Section 1 of this report outlines the results of our 2013-14 certification work and highlights the significant issues.

We checked and certified one claim and one return with a total value of £30 million. We met the submission deadlines for both the claim and the return. We did not issue a qualification letter in respect of the 2013-14 claim or return that we reviewed. Our certification work found a few minor errors which the Council corrected. These resulted in a small increase in the amount due from the DWP in respect of the Housing Benefits claim.

Fees for certification work are summarised in section 2. The Audit Commission reduced the certification fees in 2013-14 to reflect that we were not required to certify the non-domestic rates return, and that council tax benefits ceased to be paid from 1 April 2013. We have included the actual fees for 2011-12 and 2012-13 to assist year on year comparisons.

We welcome the opportunity to discuss the contents of this report with you at the 12 March 2015 Audit Committee.

Yours faithfully



Kate Handy
Director
Ernst & Young LLP

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1. Summary of 2013-14 certification work

We certified two claims and return in 2013-14. Our main findings are shown below.

Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£27,794,505
Limited or full review	Full
Amended	Amended – subsidy increased by £704
Qualification letter	No
Fee – 2013-14	£14,047
Fee – 2012-13	£12,850
Recommendations from 2012-13:	Findings in 2013-14
None	N/A

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 no errors in our initial testing and therefore did not need to carry out any additional testing.

Our review of manual adjustments to the claim did identify some minor errors which the Council has amended. These increased the level of subsidy due to the Council by £704. We certified the claim without qualification.

Pooling of housing capital receipts

Scope of work	Results
Value of return presented for certification	£2,457,505
Limited or full review	Limited
Amended	No
Qualification letter	No
Fee – 2013-14	£1,237
Fee – 2012-13	£790
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. Regional housing boards then 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 testing carried out did not identify any errors and there were no changes made to the return or the amount payable to the DCLG. We certified the return without qualification.

2. 2013-14 certification fees

From 2012-13 the Audit Commission replaced the previous schedule of maximum hourly rates with a composite indicative fee for certification work for each body. The indicative fees for 2013-14 are based on actual certification fees for 2011-12, reflecting the amount of work required by the auditor to certify the relevant claims and returns in that year. There was also a 40 per cent reduction in fees reflecting the outcome of the Audit Commission procurement for external audit services.

The housing benefit subsidy indicative fee for 2013-14 has also been reduced by a further 12% to reflect the removal of council tax benefit from the scheme.

Claim or return	2011-12	2012-13	2013-14	2013-14
	Actual fee £	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	27,203	12,850	14,047	14,047
HRA subsidies	2,022	N/A	N/A	N/A
National Non-domestic rates	3,470	760	N/A	N/A
Pooling of housing capital receipts	2,107	790	1,237	1,237
Total	34,802	14,400	15,284	15,284

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

3. Looking forward

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 £11,310. The actual certification fee may be higher or lower 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>

We must seek the agreement of the Audit Commission 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.

DCLG and HM Treasury are working with grant-paying bodies to develop assurance arrangements for certifying claims and returns following the closure of the Commission (due April 2015).

The Audit Commission currently expects that auditors will continue to certify local authority claims for housing benefit subsidy from the Department for Work and Pensions (DWP) under the arrangements developed by the Commission. The DWP has asked the Commission to prepare the auditor guidance for 2014/15. Arrangements for 2015/16 onwards are to be confirmed, but DWP envisages that auditor certification will be needed until 2016/17, when Universal Credit is expected to replace housing benefit.

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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