

AUDIT COMMITTEE

11 MARCH 2014

CERTIFICATION OF CLAIMS & RETURNS 2012/13- ANNUAL REPORT

REPORT OF CHIEF FINANCE OFFICER

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RECENT REFERENCES:

None

EXECUTIVE SUMMARY:

Ernst & Young have now presented their report for the work performed in 2013 in respect of grant claims and returns for the 2012/13 financial year.

Three claims and returns were checked and certified by Ernst & Young, with a total value of £84 million. No qualification letters were issued in respect of the 2012/13 claims and returns that were reviewed. The certification work identified a few minor errors, which the Council corrected, that resulted in a small reduction in the amount payable in respect of the Housing and Council Tax Benefits claim to the DWP.

Regulatory requirements are that the Auditors' Report be made available to all Members of the Council before the end of February. The report was published on the Council's website at the end of January and the link was circulated to all Members on 31 January 2014.

The final audit fees for the certification work are £14,400.

RECOMMENDATION:

That the Audit Committee considers the attached Audit Report.

AUDIT COMMITTEE

11 MARCH 2014

CERTIFICATION OF CLAIMS & RETURNS 2012/13- ANNUAL REPORT

REPORT OF THE CHIEF FINANCE OFFICER

1 Introduction

- 1.1 The Auditor is required by statute to certify some claims and returns for grants or subsidies paid by government departments and other public bodies to the Council. The extent of the audit work undertaken is primarily determined by the value of the claim.
- 1.2 In 2012/13, 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 and council tax benefits subsidy claim where the grant paying department set the level of testing.
- 1.3 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.
- 1.4 The auditors have now presented their report on the work performed in 2013 in respect of grant claims and returns for the 2012/13 financial year.
- 1.5 The report is appended and has been published on the Council's website and made available to all Members.

Summary

- 1.6 In total, three claims/returns were audited amounting to £84m.
- 1.7 No qualification letters were issued in respect of the 2012/13 claims and returns that were reviewed.
- 1.8 The certification work identified a few minor errors, which the Council corrected, that resulted in a small reduction in the amount payable in respect of the Housing and Council Tax Benefits claim to the DWP

OTHER CONSIDERATIONS

2 COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 2.1 External Audit supports all facets of the Community Strategy, and Portfolio Plans and in particular the core tenet to: continue to demonstrate high standards in managing the taxpayers' money.

3 RESOURCE IMPLICATIONS:

- 3.1 Audit fees for grant certification work are charged to cover the full cost of the work and are based on the actual work performed. Final fees for 2012/13 are £14,400 which is the same as the indicative fee provided. The actual fee for 2011/12 was £34,802.

4 RISK MANAGEMENT ISSUES

- 4.1 Relevant risk issues have been considered in accordance with the Council's risk management procedures.

ATTACHMENTS:

Certification of claims and returns annual report 2012-13

The Members of the Audit Committee
Winchester City Council
City Offices
Colebrook Street
Winchester
SO23 9LJ

24 January 2014

Ref: WCC/Claims/2012-13
Your ref:

Direct line: 02380 382043

Email: KHandy@uk.ey.com

Dear Member

Certification of claims and returns annual report 2012-13 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 2012-13 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 2012-13, 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 and council tax 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

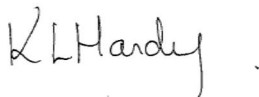
Section 1 of this report outlines the results of our 2012-13 certification work and highlights the significant issues.

We checked and certified three claims and returns with a total value of £84 million. We met all submission deadlines. We did not issue any qualification letters in respect of the 2012-13 claim and returns that we reviewed. Our certification work found a few minor errors which the Council corrected. These resulted in a small reduction in the amount payable in respect of the Housing and Council Tax Benefits claim to the DWP.

Fees for certification work are summarised in section 2. The Audit Commission applied a general reduction of 40% to certification fees in 2012-13. We have included the actual fees for 2011-12 and their values after the 40% reduction to assist year on year comparisons.

We welcome the opportunity to discuss the contents of this report with you at the 11 March 2014 Audit Committee.

Yours faithfully



Kate Handy
Director
Ernst & Young LLP

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Certification of claims and returns annual report 2012-13

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1. Summary of 2012-13 certification work

We certified three claims and returns in 2012-13. The main findings from our certification work are provided below.

Housing and council tax benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£32,902,335
Limited or full review	Full
Amended	Amended – subsidy increased by £3,291
Qualification letter	No
Fee - 2011-12 (Full)	£27,203
Fee – 2011-12 (60%)	£16,322
Fee - 2012-13	£12,850
Recommendations from 2011-12:	Findings in 2012-13
None	N/A

Councils run the Government's housing and council tax benefits scheme for tenants and council taxpayers. 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 £3,291. We certified the claim without qualification.

National non-domestic rates return

Scope of work	Results
Value of return presented for certification	£49,363,173
Limited or full review	Full
Amended	No
Qualification letter	No
Fee – 2011-12 (Full)	£3,470
Fee – 2011-12 (60%)	£2,082
Fee – 2012-13	£760
Recommendations from 2011-12:	Findings in 2012-13
None	N/A

The Government runs a system of non-domestic rates using a national uniform business rate. Councils responsible for the scheme collect local business rates and pay the rate income over to the Government. Councils have to complete a return setting out what they have collected under the scheme and how much they need to pay over to the Government.

We found no errors on the national non-domestic rates return and we certified the return without qualification.

Pooling of housing capital receipts

Scope of work	Results
Value of return presented for certification	£1,734,219
Limited or full review	Full
Amended	Yes
Qualification letter	No
Fee – 2011-12 (Full)	£2,107
Fee – 2011-12 (60%)	£1,264
Fee – 2012-13	£790
Recommendations from 2011-12:	Findings in 2012-13
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 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 carried out identified a few minor errors that have been corrected. These included the classification of a property and the amount of expenditure incurred in the fourth quarter of the year on the provision of affordable housing. These minor errors did not result in a change to the amount payable to the DCLG and we certified the return without qualification.

2. 2012-13 certification fees

For 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 fee was based on actual certification fees for 2010-11 adjusted to reflect the fact that a number of schemes would no longer require auditor certification. There was also a 40 per cent reduction in fees reflecting the outcome of the Audit Commission procurement for external audit services.

The indicative composite fee for Winchester City Council for 2012-13 was £14,400. We have completed the work required within this indicative fee total. This compares to a charge of £34,802 in 2011-12.

Claim or return	2011-12	2011-12	2012-13	2012-13
	Actual fee	2011-12 fee less 40% reduction	Indicative fee	Actual fee
	£	£	£	£
Housing and council tax benefits claim	27,203	16,322	12,850	12,850
HRA subsidies	2,022	1,213	N/A	N/A
National non-domestic rates return	3,470	2,082	760	760
Pooling of housing and council tax benefits return	2,107	1,264	790	790
Total	34,802	20,881	14,400	14,400

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

Fees fell overall compared to 2011-12 because of the Audit Commission's 40% reduction and because we were not required under the Audit Commission's certification instructions to complete a full review for the national non-domestic rates and pooling of housing capital receipts returns in 2012/13. As this was our first year as your external auditors we completed full reviews for these returns but the fees for this work have not been recharged to you. We also completed additional testing in respect of your housing and council tax benefits claim, and qualified the claim, in 2011-12.

3. Looking forward

For 2013-14, the Audit Commission has calculated indicative certification fees based on the latest available information on actual certification fees for 2011-12, adjusted for any schemes that no longer require certification. The Audit Commission has indicated that the national non-domestic rates return will not require certification from 2013-14.

The Council's indicative certification fee for 2013-14 is £17,200. The actual certification fee for 2013-14 may be higher or lower than the indicative fee, if we need to undertake more or less work than in 2011-12 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/201314-fees-and-work-programme/individual-certification-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 2011-12 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, such as those DCLG will introduce for business rates from 1 April 2013.

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