

# Certification of claims and returns annual report 2013/14

Havant Borough Council

December 2014

Ernst & Young LLP



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19 December 2014

Dear Members

## **Certification of claims and returns annual report 2013/14 Havant Borough Council**

We are pleased to report on our certification work. This report summarises the results of our work on Havant Borough 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 from our 2013/14 certification work and highlights the significant issues.

We checked and certified one claim, relating to Housing Benefits, with a total value of £32,680,044 and met the submission deadline. We issued a qualification letter and details of the qualification matters are included in section 1.

Fees for certification work are summarised in section 2.

We welcome the opportunity to discuss the contents of this report with you at the Governance and Audit Committee on 3 March 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 1 claim 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	£32,679,955
Limited or full review	Full
Amended	Amended – Subsidy increased by £89
Qualification letter	Yes
Fee – 2013/14	£12,320
Fee – 2012/13	£20,276
<b>Recommendations from prior year 2012/13:</b>	
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 two errors which resulted in additional work being undertaken, this is summarised in the table below:

#### Finding in initial sample

Local Housing Allowance Expenditure: One case was identified where earned income had been incorrectly entered onto the Council's system resulting in the claimant being underpaid benefit.

Backdated Expenditure: One case was identified where the assessor failed to tick the relevant box to notify the system that the claim and benefit would start in the same week. This resulted in an element of the benefit paid being included within the incorrect classification cell within the claim.

#### Audit Response

Extended (40+) testing was undertaken and one further error was identified. This also resulted in an underpayment of benefit. We reported this in the qualification letter sent to the DWP.

As this is only an analysis cell no further testing was undertaken. However, we reported the facts of this error in the qualification letter sent to the DWP.

## 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 Havant Borough Council for 2013/14 was £12,320.

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

Claim or return	2013/14 Indicative fee £	2013/14 Actual fee £	2012/13 Actual
Housing and council tax benefits subsidy	12,320	12,320	20,276
National non-domestic rates return	n/a	n/a	2,550
<b>Total</b>	<b>12,320</b>	<b>12,320</b>	<b>22,826</b>

*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 £17,840. 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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