

Certification of claims and returns annual report 2013/14

Southampton City Council

January 2015

Ernst & Young LLP



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The Members of the Governance Committee
Southampton City Council
Civic Centre
Southampton
Hampshire
SO14 7LY

28 January 2015

Ref: SCC/Claims/2013-14

Direct line: 02380 832043

Email: KHandy@uk.ey.com

Dear Members

Certification of claims and returns annual report 2013/14 Southampton City Council

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

We checked and certified two claims and returns with a total value of £120,821,944. We met all submission deadlines. We issued one qualification letter for the Housing and Council Tax Benefits claim. Details of the qualification matters are included in section 1. Our certification work found a more minor error which the Council corrected in respect of the Pooling of Housing Capital receipts return. We have not made any recommendations for improvement.

Fees for certification work are summarised in section 2.

We welcome the opportunity to discuss the contents of this report with you at the 9 February 2015 Governance Committee.

Yours faithfully

Kate Handy
Audit Director
For and on behalf of Ernst & Young LLP
Southampton

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1. Summary of 2013/14 certification work

We certified 2 claims and returns 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	£114,996,900
Limited or full review	Full
Amended	Not amended
Qualification letter	Yes
Fee – 2013/14	£26,032
Fee – 2012/13	£28,790
Recommendations from prior year:	
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.

Our testing identified no errors in the calculation and classification of benefits awarded to claimants during the year, as presented in the subsidy claim.

As well as testing the calculation of individual benefits awards, the certification instructions require further tests including reviewing the reconciliation of benefit awarded to benefit paid during the year. Our testing found there were minor unreconciled amounts, totalling £59.86. As there is no concept of materiality for the certification work, we were required to report this to the DWP through a qualification letter, which is similar to previous years.

Pooling of housing capital receipts

Scope of work	Results
Value of return presented for certification	£5,825,044
Limited or full review	Full
Amended	Yes
Qualification letter	No
Fee – 2013/14	£1,600
Fee - 2012/13	£1,130
Recommendations from prior year:	
None	

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 that 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 one error in classification of disposals between two claims cells in the return for Quarter 2. This was corrected, and made no difference to the total amount certified.

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 Southampton City Council for 2013/14 was £29,036.

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	27,436	26,032	28,790
Pooling of housing capital receipts return	1,600	1,600	1,130
Teachers' superannuation return	n/a	n/a	1,850
National non-domestic rates return	n/a	n/a	1,180
Total	29,036	27,632	32,950

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

Fees fell overall due to the reduction in claims requiring certification.

Housing Benefits Subsidy

The indicative fee was set based on work completed in 2011/12, when due to identified errors additional 40+ testing was undertaken on the claims, and a qualification letter issued.

As we found no errors this year, there was no such requirement for extended testing. Therefore, we were able to complete the work in comparatively less time.

Pooling of housing capital receipts

Due to errors identified in the prior year, we undertook comparatively more extensive testing.

3. Looking forward

The Council's indicative certification fee for 2014/15 is £25,340. This is based on the outturn from 2012/13 certification work, again 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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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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