

Certification of claims and returns annual report 2013/14

Isle of Wight Council

December 2014

Ernst & Young LLP



The Members of the Audit Committee
Isle of Wight Council
County Hall
Newport,
Isle of Wight
PO30 5UD

22 December 2014

Dear Members

Certification of claims and returns annual report 2013/14 Isle of Wight Council

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

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 that we certified one claim with a value of £54m subject to a qualification letter, meeting the submission deadline.

Fees for certification work are summarised in section 2.

We welcome the opportunity to discuss the contents of this report with you at the 19 February 2015 Audit Committee.

Yours faithfully

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

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1. Summary of 2013/14 certification work

We certified one claims in 2013/14. The main findings are provided below.

Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£54,043,894
Limited or full review	Full
Amended	Not amended
Qualification letter	Yes
Fee – 2013/14	£19,614
Fee – 2012/13	£25,878

Recommendations from prior year 2012/13 and findings:

Complete the review of the remaining 350 potential one-off tax credit cases, by the end of the current financial year.	The Council completed its review. However, our testing in 2013/14 identified errors caused by the omission of one-off tax credits which is the same issue as the previous year. These were from a two month period June/July 2013 where officers have explained checking was not completed due to other priorities at that time.
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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 work programme sets out a programme of testing for the claim, agreed with the DWP. Guidance requires the completion of more extensive '40+' testing (extended testing) if initial testing identifies errors in the calculation of benefit or compilation of the claim. Our initial testing identified errors. Working with officers, 6 lots of extended testing were performed.

Our '40+' testing identified errors which the Council did not amend, which we reported in a qualification letter. These errors are corrected in the benefits system, and therefore will be reflected in future year subsidy claims.

We also reported underpayments, uncertainties and the extrapolated value of other errors to the DWP in a qualification letter.

There were three extrapolations:

- ▶ Non-HRA rent rebates, £89.25, from errors in applying tax credits.
- ▶ Rent Allowances, £18,196, from errors in applying tax credits
- ▶ Rent Allowances, £28,956, from an error where a private landlord made a 50% reduction to the first month's rent, that was not identified in the claim calculation.

We agree the factual accuracy of the qualification letter with officers. We also reflected their view in particular that the extrapolation for the error due to reduced rent was likely to be an isolated instance, and in general the extrapolations are likely to be in excess of the actual errors.

Council's response to issues raised:

Officers have already implemented actions to prevent issues arising again, which we reflected in the qualification letter. These are:

- ▶ A “How To” for ATLAS one-off checking has been created to ensure consistency across all staff on the approach to be taken with tax credit one-offs
- ▶ A specialist member of staff has been assigned to training colleagues and new starters in using ATLAS
- ▶ All one-offs for June & July 2013 will be rechecked to confirm they have been correctly input. The Authority has quantified this as being 2783 claims in total (48 per day). This will be completed by 31 March 2015.
- ▶ Enquiries will be made with other LA's to see if they have been able to automate their one offs (the Authority's subsidy software currently does not have this capability).
- ▶ Assessors will now need to sign to confirm that they have input all one-offs given to them, and further sample checks will be undertaken by senior staff to confirm that they have been correctly input.
- ▶ Assessors have been reminded of the need to check for variations in monthly rent for new private tenancy claims.
- ▶ Assessors have been reminded of the need to ensure correct entry of payslip information when calculating earnings. The Authority is currently reviewing its accuracy checking sampling to include wider higher risk areas for quality assurance.

We have assessed these actions to be appropriate, and therefore, have made no specific recommendations as a result of our 2013/14 work.

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 Isle of Wight Council for 2013/14 was £19,614.

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 benefits subsidy	19,614	19,614	25,878
Claims no longer requiring certification	n/a	n/a	4,324
Total	19,614	19,614	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 compared to 2012/13 as fewer claims required certification.

Housing benefits subsidy.

The fee for 2013/14 is lower than the actual fee for 2012/13 as we are no longer required to undertake work on Council Tax benefits.

3. Looking forward

The Council's indicative certification fee for 2014/15 is £22,770. 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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