

# Certification of claims and returns annual report 2014/15

Cambridge City Council

25 January 2016

Ernst & Young LLP



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The Members of the Civic Affairs Committee  
Cambridge City Council  
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25 January 2016

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Dear Members

## **Certification of claims and returns annual report 2014/15 Cambridge City Council**

We are pleased to report on our certification work. This report summarises the results of our work on Cambridge City Council's 2014/15 claims.

### **Scope of work**

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

Under section 28 of the Audit Commission Act 1998, as transitionally saved, the Audit Commission made arrangements for certifying claims and returns in respect of the 2014/15 financial year. These arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

### **Statement of responsibilities**

The Audit Commission's 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities) applied to this work. It serves as the formal terms of engagement between ourselves as your appointed auditor and the Council as audited body.

This 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 Council. As appointed auditor we accept no responsibility to any third party.

### **Summary**

Section 1 of this report outlines the results of our 2014/15 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £38.6 million and met the submission deadline. We issued a qualification letter with our submission. The qualification matters are included in section 2. There were no amendments to the claim.



Fees for certification work are summarised in section 2. The fees for 2014/15 were published by the Audit Commission on 27 March 2014 and are now available on the Public Sector Audit Appointments Ltd (PSAA's) website ([www.psaa.co.uk](http://www.psaa.co.uk))

We welcome the opportunity to discuss the contents of this report with you at the 17 February Civic Affairs Committee.

Yours faithfully

**Mark Hodgson**  
Executive Director  
Ernst & Young LLP  
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## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£38,645,373
Amended	No
Qualification letter	Yes
Fee – 2014/15	£20,584 (including additional fee of £4,584)
Fee – 2013/14	£20,102 (including additional fee of £9,626)

Local Government administers the Government's housing benefits scheme for tenants and can 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+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years claims. We found errors and carried out extended testing in several areas.

We reported underpayments, uncertainties and the extrapolated values of errors in a qualification letter. The DWP decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid. The main issues we reported were:

- Non HRA rent rebates: testing of the initial sample did not identify any errors. Testing of an additional 40 cases carried out as a result of errors reported in previous years identified 3 cases where the Council miscalculated claimant income.
- HRA Rent Rebates: testing of the initial sample identified 1 case where the Council had overstated claimant income leading to underpaid benefit. Extended testing of an additional 40 cases identified 3 further cases where the Council miscalculated claimant income.
- Rent Allowances: testing of the initial sample identified 2 cases where claimant income was miscalculated. Extended testing of an additional 40 cases identified 1 further case where the Council miscalculated claimant income.
- Overpaid (HRA) Rent Rebates (Prior Years) Eligible Overpayments: testing of the initial sample identified 2 cases where the Council miscalculated the claimant's income. Extended testing of an additional 40 cases identified 4 further cases where the Council miscalculated claimant income.
- Overpaid Rent Allowances (Prior Years) Eligible Overpayments: testing of the initial sample identified 1 case where the Council miscalculated the claimant's income. Extended testing of an additional 40 cases identified 7 further cases where the Council miscalculated claimant income.

## 2. 2014/15 certification fees

The Audit Commission determined a scale fee each year for the audit of claims and returns. For 2014/15, these scale fees were published by the Audit Commission on 27 March 2014 and are now available on the PSAA's website ([www.psa.co.uk](http://www.psa.co.uk)).

Claim or return	2013/14	2014/15	2014/15
	Actual fee £	Indicative fee £	Final fee £
Housing benefits subsidy claim	20,102	16,000	20,584
<b>Total</b>	<b>20,102</b>	<b>16,000</b>	<b>20,584</b>

The fee includes time for annual reporting, planning, supervision and review.

The 2013/14 actual fee includes the scale fee of £10,476. The Audit Commission approved an additional fee of £9,626 for the extra testing undertaken during our in 2013/14, taking the total to £20,102 as reported in our 2013/14 certification report to Members.

The indicative fee for 2014/15 was based on the fee for 2012/13. The actual fee for 2014/15 is £4,584 higher than the indicative fee to reflect the extra work we have undertaken in 2014/15.

Our proposed final fee has been agreed with officers. The proposed final fee is subject to review by Public Sector Auditor Appointments who will determine the final scale fee which will not exceed the £20,584 above.

### 3. Other assurance work

During 2014/15 we also acted as reporting accountants in relation to the following scheme:

- ▶ Housing pooling return.

We have provided a separate report to the Council in relation to this return. This work has been undertaken outside the Audit Commission / PSAA regime, and the fees for this are not included in the figures included in this report. They are referred to here for completeness to ensure Members have a full understanding of the various returns that the Council prepares and on which we provide some form of assurance. We did not identify any significant issues that need to be brought to the attention of Members.

## 4. Looking forward

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2015/16 is £15,077. This was prescribed by PSAA in April 2015, based on no changes to the work programme for 2015/16. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable for 2013/14.

Details of individual indicative fees are available at the following web address:  
<http://www.psa.co.uk/audit-and-certification-fees/201516-work-programme-and-scales-of-fees/individual-fees-for-local-government-bodies>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Director – Corporate Services before seeking any such variation.



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