

## CAMBRIDGE CITY COUNCIL

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REPORT OF: Head Of Finance

TO: Civic Affairs Committee

15/02/2017

WARDS: None directly affected

### **EXTERNAL AUDIT CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2015/16**

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#### **1 INTRODUCTION**

1.1 This report presents the Certification of claims and returns annual report produced by Ernst & Young (EY), the Council's external auditor.

#### **2. RECOMMENDATIONS**

2.1 To note the contents of EY's report as attached at Appendix 1. EY will be present at the meeting to present their report and answer any questions.

#### **3. BACKGROUND**

3.1 EY, as the appointed auditors of the council, undertake certification of the housing benefit subsidy claim. This work was undertaken in accordance with a certification methodology determined by the Department for Work and Pensions.

3.2 In addition EY acted as reporting accountants in respect of the Housing Capital Receipts Pooling Return issued by the Department for Communities and Local Government.

#### **Housing Benefit Subsidy**

3.3 EY checked and certified the subsidy claim with a total value of £39.1 million. EY reported extrapolated errors (which totalled less than £3,000) in a qualification letter, but no amendments were made to the subsidy return.

3.4 The Department of Work and Pensions (DWP) has confirmed that no changes to subsidy will be required.

### **Housing Capital Receipts Pooling Return**

3.5 EY did not identify any significant issues to report to members.

## **4. IMPLICATIONS**

(a) **Financial Implications** Covered in the report

(b) **Staffing Implications** None

(c) **Equal Opportunities Implications** No EQIA considered necessary as this report relates to certification work required by the relevant schemes. There are no policy decisions required.

(d) **Environmental Implications** None

(e) **Procurement** None

(f) **Consultation and communication** None

(g) **Community Safety** None

**BACKGROUND PAPERS:** The following are the background papers that were used in the preparation of this report:

N/A

The author and contact officer for queries on the report is Charity Main on extension 8152.

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# Certification of claims and returns annual report 2015-16

Cambridge City Council

January 2017

Ernst & Young LLP



Building a better  
working world

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Dear Members

## **Certification of claims and returns annual report 2015-16 Cambridge City Council**

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Cambridge City Council's 2015-16 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 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.

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 Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

For 2015-16, 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.

In addition to this, the Council engaged us to act as reporting accountants in relation to a return outside PSAA's regime – pooling of housing capital receipts.

### **Summary**

Section 1 of this report outlines the results of our 2015-16 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £39,142,163. We met the submission deadline and issued a qualification letter on 28 November 2016. Details of the qualification matters are included in section 1. Our certification work did not lead to any amendments to the grant due.

We will provide a separate report to the Council in relation to the pooling of housing capital receipts return which had a total value of £797,606. No significant issues were identified as part of this work.



Fees for certification and other returns work are summarised in section 3. The housing benefits subsidy claim fees for 2015-16 were published by PSAA in March 2015 and are now available on the 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 Civic Affairs Committee.

Yours faithfully

**Neil Harris**  
Executive Director  
Ernst & Young LLP  
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## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£39,142,163
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2015-16	£15,077
Fee – 2014-15	£20,584

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 of 20 cases 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 similar to prior years.

Extended and other testing identified errors. No amendments were made to the claim. However we have reported underpayments and the extrapolated value of other errors in a qualification letter. The DWP will decide whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid. These are the main issues we reported:

- Rent Rebate: Prior year overpayments – We carried out 40+ testing as a result of errors that had been identified in the audit of previous years' claims. Testing of the extended sample identified 1 case where incorrect state retirement pension had been used. We reported an extrapolated error of £44.
- Rent Allowances – We carried out 40+ testing as a result of errors that had been identified in the audit of previous years' claims. Testing of the extended sample identified 3 cases where benefit had been underpaid and 1 case where benefit had been overpaid. We reported an extrapolated error of £2,842.

No amendments were made to the claim.

## 2. Other assurance work

During 2015/-16 the Council engaged us as reporting accountants in relation to the Pooling of Housing Capital Receipts return. This work has been undertaken outside the PSAA regime.

We have provided a separate report to the Council in relation to the return. The fees for this are included in the figures in Section 3. They are referred to here to ensure Members have a full understanding of the various returns on which we provide some form of assurance.

We did not identify any significant issues from this work that need to be brought to the attention of Members.



### 3. 2015-16 certification fees

PSAA determine a scale fee each year for the audit of claims and returns.

Claim or return	2015-16	2015-16	2014-15
	Actual fee £	Indicative fee £	Actual fee £
<b>Certification</b>			
Housing benefits subsidy claim	15,077	15,077	20,584
<b>Other Assurance Work</b>			
Pooling of Housing Capital Receipts Return	3,300	3,300	2,500

The 2014-15 certification fee includes a scale fee variation of £4,584.

The indicative certification fee for 2015-16 is based on the actual fee for 2013-14 with a 25% reduction in scale fee. For 2015-16 the level of error identified was similar to that identified in 2013-14.

## 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 2016-17 is £15,438. This was prescribed by PSAA in March 2016, based on no changes to the work programme for 2015-16. Indicative fees for 2016-17 housing benefit subsidy certification work are based on final 2014-15 certification fees. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable for 2014-15.

Details of individual indicative fees are available at the following web address:  
<http://www.psa.co.uk/audit-and-certification-fees/201617-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Head of Finance before seeking any such variation.

PSAA is currently consulting on the 2017-18 work programme. There are no changes planned to the work required and the arrangements for certification of housing benefit subsidy claims remain in the work programme. However, this is the final year in which these certification arrangements will apply. From 2018-19, the Council will be responsible for appointing their own auditor and this is likely to include making their own arrangements for the certification of the housing benefit subsidy claim in accordance with the requirements that will be established by the DWP.

**EY** | Assurance | Tax | Transactions | Advisory

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