

Certification of claims and returns annual report 2013/14

Worthing Borough Council

February 2015

Ernst & Young LLP



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The Members of the Joint Governance Committee
Worthing Town Hall
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February 2015

Dear Members

Certification of claims and returns annual report 2013/14 Worthing Borough Council

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

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 £37.5m, meeting the submission deadline. 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 24 March 2015 Joint Governance 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 claim in 2013/14. The main findings are provided below.

Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£37,469,451
Limited or full review	Full
Amended	Not amended
Qualification letter	No
Fee – 2013/14	£10,912
Fee – 2012/13	£8,780
Recommendations from prior year 2012/13 and findings:	
None	

Councils run the Government's housing benefits scheme for tenants. Councils responsible for the scheme claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

We found no errors on the housing benefits subsidy claim and we certified the claim without amendment or qualification.

The fee for 2013/14 is based upon on actual certification fees for 2011-12, reflecting the amount of work required by the auditor to certify the relevant claims and returns in that year. The figure is then reduced by 40 per cent, reflecting the outcome of the Audit Commission procurement for external audit services. It was then reduced by a further 12% to reflect the removal of council tax benefit from the scheme. This resulted in a higher fee when compared to that charged in 2012/13.

2. 2013-14 Certification Fees

The Audit Commission sets a composite indicative fee for certification work for each body. The indicative fees for 2013-14 are based on actual certification fees for 2011-12, reflecting the amount of work required by the auditor to certify the relevant claims and returns in that year. The figure is then reduced by 40 per cent, reflecting the outcome of the Audit Commission procurement for external audit services.

The 2013-14 fee for certification of housing benefit subsidy claims has been reduced from the indicative fee by a further 12% to reflect the removal of council tax benefit from the scheme.

The indicative composite fee for Worthing Borough Council for 2013/14 was £10,912.

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	10,912	10,912	8,780
National Non-Domestic Rates Return	n/a	n/a	720
Total	10,912	10,912	9,500

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

The fee charged for 2013/14 represents the scale fee produced by the Audit Commission. It is based on 2011/12 data where the fee was higher than 2013/14 fees.

3. Looking forward

For 2014-15, the Audit Commission has calculated indicative certification fees based on the latest available information on actual certification fees for 2012-13, adjusted for any schemes that no longer require certification.

The Council's indicative certification fee for 2014-15 is £7,730. The actual certification fee may be higher or lower 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 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.

DCLG and HM Treasury are working with grant-paying bodies to develop assurance arrangements for certifying claims and returns following the closure of the Commission (due April 2015).

The Audit Commission currently expects that auditors will continue to certify local authority claims for housing benefit subsidy from the Department for Work and Pensions (DWP) under the arrangements developed by the Commission. The DWP has asked the Commission to prepare the auditor guidance for 2014-15. Arrangements for 2015-16 onwards are to be confirmed, but DWP envisages that auditor certification will be needed until 2016-17, when Universal Credit is expected to replace housing benefit.

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. This is to help with the transition to new certification arrangements, such as those Teachers' Pensions introduced for the Teachers' Pensions return for 2013-14.

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