

Certification of claims and returns annual report 2014-15

Southampton City Council

December 2015

Ernst & Young LLP



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The Members of the Governance Committee
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December 2015
Ref: SCC/Claims/2014-15

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Dear Members

Certification of claims and returns annual report 2014-15 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 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 take no responsibility to any third party.

Summary

Section one of this report outlines the results of our 2014-15 certification work and highlights any significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £116.7m. We met the submission deadline. We issued a qualification letter: details of the issues giving rise to the qualification are included in section one.



Fees for certification work are summarised in section three. 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).

We welcome the opportunity to discuss the contents of this report with you at the Governance Committee on 8 February 2016.

Yours faithfully

Helen Thompson
Director
For and on behalf of Ernst & Young LLP
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£116,730,117
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2014-15	£25,340
Fee – 2013-14	£26,032

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 the previous year's claim. We found an error in our initial testing and carried out extended testing in one area, the classification of overpayments.

We reported the extrapolated value of this error in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid. The issue we reported was:

- From an initial sample of 20 rent allowance cases we identified one error (total value £36) whereby an overpayment had been misclassified as claimant error when it should have been classified as local authority or administrative delay error. Testing of a further 40 cases identified no further errors of this type. The extrapolated error of misclassified overpayments in our qualification letter was £3,361.

As well as testing the calculation of individual benefits awards, the certification instructions require us to perform further tests including reviewing the reconciliation of benefit awarded to benefit paid during the year. Our testing found there were only minor unreconciled amounts, totalling £48. As there is no concept of materiality for the certification work, we were required to report this to the DWP through the qualification letter, which is similar to previous years.

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).

Claim or return	2013-14	2014-15	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	26,032	25,340	25,340
Pooling of Housing Capital receipts	1,600	0	0
Total	27,632	25,340	25,340

3. 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 £19,524. This was prescribed by PSAA in April 2015, based on no changes to the work programme for 2015-16.

Details of individual indicative fees are available at the following web address:
<http://www.psaa.co.uk/audit-and-certification-fees/201516-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. If necessary, we would discuss this with the Chief Finance Officer before seeking any such variation.

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