

**Law and Governance**

Direct Line: 01865 252214

E-mail: [mmetcalfe@oxford.gov.uk](mailto:mmetcalfe@oxford.gov.uk)

**Town Hall**

St. Aldate's  
Oxford OX1 1BX

[www.oxford.gov.uk](http://www.oxford.gov.uk)



Central Number: 01865 249811

To Members of the Audit and  
Governance Committee

21 February 2013

Our ref:

Your ref:

Dear Councillor

**AUDIT AND GOVERNANCE COMMITTEE - THURSDAY 28 FEBRUARY 2013**

I attach the following report(s) which were not available when the main agenda was dispatched.  
Please bring these documents to the meeting

**Agenda No Item**

- 10 a) Annual Certification Report - 2011-12 - Ernst and Young (Pages 1 - 10)

The Head of Finance has submitted a report on behalf of Ernst and Young which details the Annual Certification 2011/12.

The Committee is asked to comment on and note the report.

- 10 b) Annual Audit Fee 2012/13 - Ernst and Young (Pages 11 - 14)

The Head of Finance has submitted a report on behalf of Ernst and Young which details the Annual Audit Fee for 2012/13.

The Committee is asked to comment on and note the report.

Yours sincerely

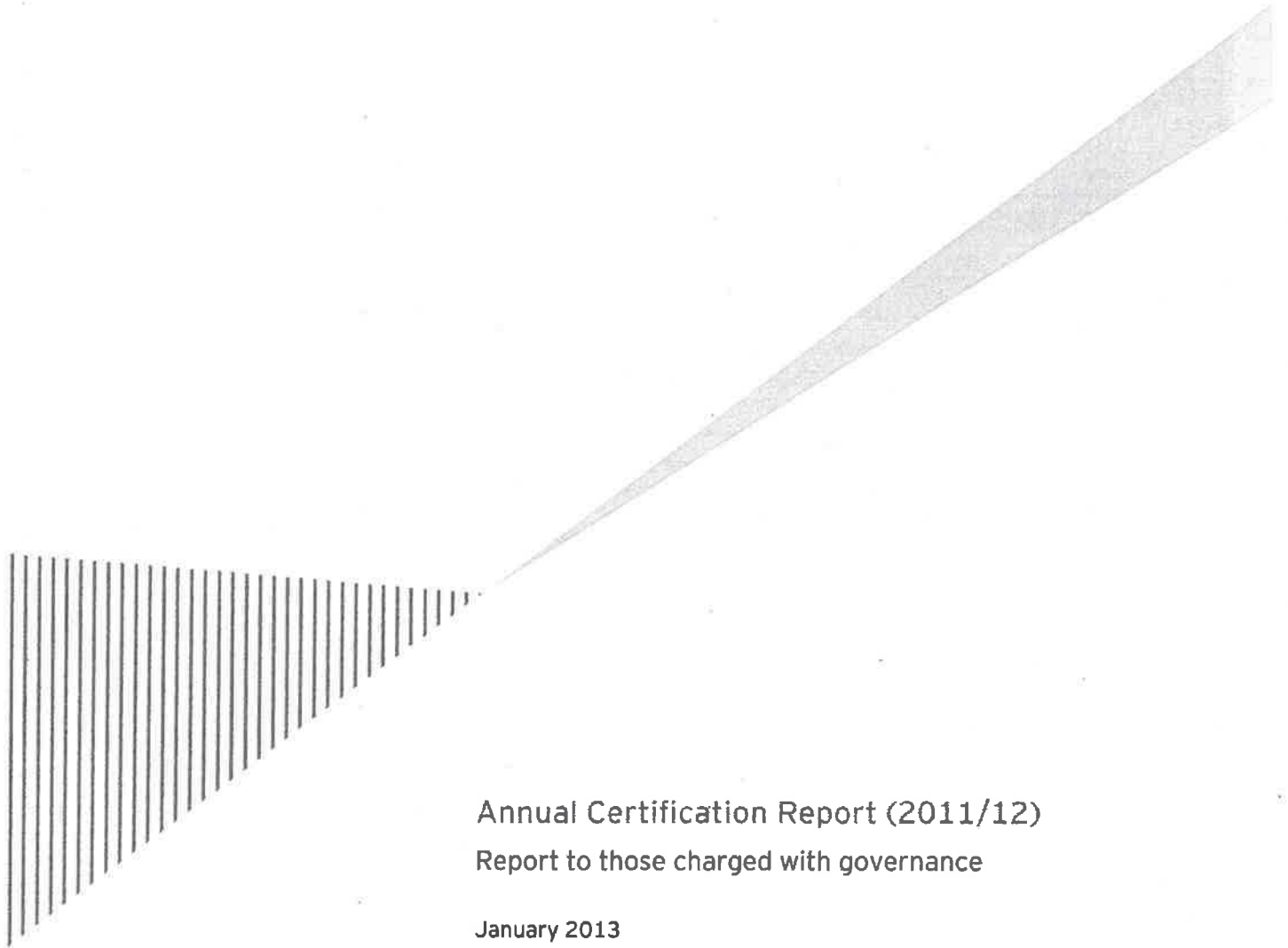
Mathew Metcalfe, Democratic and Electoral Services Officer  
Encs



INVESTORS  
IN PEOPLE







Annual Certification Report (2011/12)  
Report to those charged with governance

January 2013

Ernst & Young LLP

**The Members of the Audit & Governance Committee**  
Oxford City Council  
The Town Hall  
St Aldates Chambers  
Oxford  
OX1 1BX

8 January 2013

Dear Members

## **Annual Certification Report (2011/12)**

We are pleased to attach our annual certification report for the forthcoming meeting of the Audit & Governance Committee. This report summarises the results of certification work undertaken on your 2011/12 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. Often these grant-paying bodies required certification from an appropriately qualified auditor of the claims and returns submitted to them.

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.

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 its appointed auditors set out the work they must undertake before issuing a certificate. Grants and claims are certified as they arise throughout the year to meet the audited claim/return submission deadlines set by the grant-paying bodies.

### **Statement of Responsibilities of Auditors and Audited Bodies**

In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' ('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 the Audit & Governance Committee, and is prepared for the sole use of the audited body.

We, as appointed auditor, take no responsibility to any third party. Following the appointment of Ernst & Young as auditor for the year ended 31 March 2013 we have been requested to prepare this Annual Certification in respect of the year 2011/12. However, with one exception, the certification reported on herein was performed by Audit Commission staff prior to 31 October and therefore not under the direction and supervision of Ernst & Young and accordingly we take no responsibility to the council nor to any third party for the work undertaken. The one exception is that Ernst and Young completed and certified work on the Housing and Council Tax Benefit claim.

#### **Results of certification work**

For the period April 2011 to March 2012 four claims and returns were certified with a total gross value of £164m. This work was completed prior to Ernst & Young being appointed auditor.

Of the claims certified, one claim, the Housing and Council Tax Benefit claim was qualified and amended. All deadlines for submission of certified claims/returns were met.

Fees for certification work are summarised in appendix A.

We welcome the opportunity to discuss the contents of this report with you at the Audit & Governance Committee meeting scheduled on the 28 February 2013.

Yours faithfully  
For and on behalf of Ernst & Young LLP

A handwritten signature in black ink, appearing to read 'David Wilkinson', written over a light grey horizontal line.

David Wilkinson  
Partner  
Ernst & Young LLP  
United Kingdom  
Enc.

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## 1. Summary of 2011/12 Certification Work

Claim or return	2011/12 Claim Value £000	Qualification (Q) Amendment (A) Neither (-)		Reason for issue, and financial effect.
		Q	A	
Housing and council tax benefit scheme	72,956	Q	A	<p>1 overpayment incorrectly classified as eligible overpayment rather than Local Authority error. Testing of further 40 cases identified 3 more such cases.</p> <p>This caused Cell 113 to be understated by £28,751 and cell 114 to be overstated by the same amount.</p> <p>We are required by grant claim guidance to extrapolate such errors and when we did this the extrapolated error came to £337,593. This amount exceeds the Department of Works and Pensions (DWP) threshold for an acceptable Local Authority (LA) error.</p> <p>Whilst there is no impact on cell 94 (headline cell) it will be up to the DWP to determine if they require any further action as a result of the Council exceeding the LA error threshold.</p>

National Non-domestic Rates Return	77,020	-
Pooling of Housing Capital Receipts	1,009	-
HRA Subsidy	-13,063	-



## 2. Qualifications in respect of 2011/12 certification work

The certificate that we issue to the grant-paying body is qualified where there is disagreement or uncertainty over an item or items in the claim/return, or the Council has not complied with the scheme terms and conditions. Details of the qualifications made during 2011/12 are provided below.

Claim/Return	Issue and risk arising	Agreed action plan
Housing and council tax benefit scheme	<p>Sample testing identified errors in the classification of LA errors. 4 cases out of a sample of 60 were identified. This extrapolated to £337,593 which is over the lower threshold of LA error permitted by DWP.</p> <p>Whilst there is no impact on cell 94 (headline cell) it will be up to the DWP to determine if they require any further action as a result of the Council exceeding the LA error threshold.</p>	<p>Increase sample checking and training to ensure classification of overpayments is correctly recorded in the system.</p>

### 3. Summary of progress made on recommendations arising from certification work undertaken in earlier years

Agreed action	Priority	Date for implementation	Responsible officer	Current status	Comments
Begin the Housing Benefits audit earlier and client staff resources to have sufficient time scheduled into their work plans	Medium	Immediate	Helen Bishop, Head of Customer Services	Partly implemented	We began the audit earlier. The Council is restructuring the benefits team but this has not yet improved their capacity to respond to audit queries. The Council aim to have a full subsidy team compliment for 2012-13.
Process all adjustments prior to producing the Housing Benefits claim	Medium	Before the claim is run on 30 April 2012	Pauline Hull, Team Leader Systems and Subsidy Team	Implemented	All items in cell 23 (an audit issue last year) were corrected where possible before the subsidy was submitted for audit.
Work with IT team to ensure additional Academy system reports can be produced easily to support extended sampling of housing benefits	Medium	1 April 2012	Pauline Hull, Team Leader Systems and Subsidy Team	Limited improvement	A new version of Academy CDS report writing tool is now available to the subsidy team.

Adjust work plans to allow sufficient internal checks be carried out on those areas where we have found errors in housing benefits	Medium	31 Jan 2012	Pauline Hull, Team Leader Systems and Subsidy Team	Limited improvement	The Council is restructuring the benefits team but this has not yet improved their capacity to respond to audit queries. The Council aim to have a full subsidy team compliment for 2012-13.
Training updates to be provided to housing benefits assessors on the classification of overpayments	Medium	31 Jan 2012	Pauline Hull, Team Leader Systems and Subsidy Team	Implemented	Some training has been provided to assessors.
Ensure that uncashed cheques contained within report hb9883f are counted only once in the housing benefits claim	Medium	31 Jan 2012	Pauline Hull, Team Leader Systems and Subsidy Team	Implemented	This error was not repeated this year.
The HRA subsidy return entered on Logasnet will be reviewed before submission to audit to ensure no fields have been left blank	Medium	31 March 2012	David Watt, Finance Business Partner	Implemented	No fields have been left blank this year.
The HRA subsidy return will be reviewed before submission to audit to ensure entries have been calculated in accordance with the grant instructions	Medium	31 March 2012	David Watt, Finance Business Partner	Not implemented	We found 4 fields on the claim which had not been calculated in accordance with the grant instruction.

## Appendix A Certification Fees

Claim/Return	2010/11 Actual £	2011/12 Actual £	Reason for fee variance greater than 10%
Housing and council tax benefit scheme	53,735	63,288	Slow clearance of audit queries and additional work required on LA errors.
Housing subsidy return	7,145	3,760	-
National Non-Domestic Rates return	1,775	3,325	2011/12 is the 3 <sup>rd</sup> year in the testing cycle and this means more work is required.
Pooling of Housing Capital Receipts	2,108	2,236	-
Other claims not requiring certification in 2011/12	5,540	0	-
Grant claim planning and reporting	4,554	1,700	Only includes reporting costs in 2011/12
<b>Total</b>	<b>74,852</b>	<b>74,309</b>	



Ernst & Young LLP  
Apex Plaza  
Zurbrugg Road  
Reading RG1 1YE  
Tel: 0118 928 1100  
Fax: 0118 928 1101  
www.ey.com/uk

Peter Sloman  
Chief Executive  
Oxford City Council  
Town Hall  
St Aldate's  
Oxford  
OX1 1BX

14 December 2012

Ref: OxCityC/FL/12/13

Tel: 0765 9932504

Email: ngrindley@uk.ey.com

Dear Peter

## Annual Audit Fee 2012/13

We are writing to confirm the audit work that we propose to undertake for the 2012/13 financial year at Oxford City Council. The fee reflects the risk-based approach to audit planning set out in the Code of Audit Practice and the work mandated by the Audit Commission for 2012/13. The audit fee covers the:

- ▶ Audit of the financial statements;
- ▶ Value for money conclusion; and
- ▶ Whole of Government accounts.

Our fee has been set by the Audit Commission as part of the recent 5 year procurement exercise and consequently is not liable to increase in that period without a change in scope.

### Indicative audit fee

For 2012/13 the Audit Commission has set the scale fee for each audited body. The 2012/13 scale fee is based on certain assumptions, including:

- ▶ The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year;
- ▶ We are able to place reliance on the work of internal audit to the maximum extent possible under auditing standards;
- ▶ The financial statements will be available to us in line with the agreed timetable;
- ▶ Working papers and records provided to us in support of the financial statements are of a good quality and are provided in line with our agreed timetable; and
- ▶ Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee.

The indicative audit fee set out in the table below has initially been set at the scale fee level as the overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year.



	Indicative fee 2012/13 £	Actual fee 2011/12 £	Actual fee 2010/11 £
Total Code audit fee	114,000	200,000	223,000
Certification of claims and returns*	36,800	36,601	75,165

\*The indicative fee for 2012/13 and the planned fee for 2011/12 relate to the certification of grant claims and returns for the years ended 31 March 2013 and 31 March 2012 respectively. The certification fees for 2010/11 are the actual fees for the year ended 31 March 2011.

Any additional work that we may agree to undertake (outside of the Audit Code of Practice) will be separately negotiated and agreed with you in advance.

Our audit plan for the audit of the financial statements will be issued in April, 2013. This will detail the significant financial statement risks identified, planned audit procedures to respond to those risks, and any changes in fee. It will also set out the risks identified in relation to the Value for Money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Director Organisational Development and Corporate Services and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit and Governance Committee.

### Billing

The indicative audit fee will be billed in quarterly instalments of £37,700.

### Audit team

The key members of the audit team for 2012/13 are:

Maria Grindley  
**Director**

[mgrindley@uk.ey.com](mailto:mgrindley@uk.ey.com)

Tel: 0118 928 1667

Mobile: 0766 9932604

Alan Witty  
**Manager**

[awitty@uk.ey.com](mailto:awitty@uk.ey.com)

Tel: 0118 928 1148

Mobile: 07966 404269

Susan Whipp  
**Team Leader**

[swhipp@uk.ey.com](mailto:swhipp@uk.ey.com)

Tel: 0118 928 1470

Mobile: 07867 152498

We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint

carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely



Maria Grindley  
Audit Director  
Ernst & Young LLP  
United Kingdom

cc. Jackie Yates, Executive Director Organisational Development and Corporate Services  
Councillor Mark Rowley, Chair of the Audit Committee

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