



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'.

David Wilkinson
Partner
Ernst & Young LLP
United Kingdom
Enc.

Contents

1. Summary of 2011/12 Certification Work	1
2. Qualifications in respect of 2011/12 certification work	3
3. Summary of progress made on recommendations arising from certification work undertaken in earlier years	4
Appendix A Certification Fees	6

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>	Increase sample checking and training to ensure classification of overpayments is correctly recorded in the system.

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 rd 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
Total	74,852	74,309	