

# Performance and Audit Scrutiny Committee



Forest Heath  
District Council

<b>Title of Report:</b>	<b>Ernst and Young – Certification of Claims and Returns Annual Report 2015/2016</b>	
<b>Report No:</b>	<b>PAS/FH/17/015</b>	
<b>Report to and date:</b>	<b>Performance and Audit Scrutiny Committee</b>	25 May 2017
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<b>Purpose of report:</b>	To update members on the outcome of the annual certification of grant claims by Ernst and Young (our external auditors) as detailed in their Certification of claims and returns annual report 2015/2016, attached at <b>Appendix A</b> .	
<b>Recommendation:</b>	<b>Members are asked to <u>note</u> the Certification of Claims and Returns Annual Report 2015/2016.</b>	
<b>Key Decision:</b>  (Check the appropriate box and delete all those that <b><u>do not</u></b> apply.)	Is this a Key Decision and, if so, under which definition?  Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	

<b>Consultation:</b>	<ul style="list-style-type: none"> <li>N/A</li> </ul>		
<b>Alternative option(s):</b>	<ul style="list-style-type: none"> <li>N/A</li> </ul>		
<b>Implications:</b>			
Are there any <b>financial</b> implications? <i>If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> <li>The report includes the final fee for certification of the 2015/2016 grant claims (£12,442).</li> </ul>	
Are there any <b>staffing</b> implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>	
Are there any <b>ICT</b> implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>	
Are there any <b>legal and/or policy</b> implications? <i>If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> <li>External audit is a statutory function.</li> </ul>	
Are there any <b>equality</b> implications? <i>If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>	
<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (after controls)
	Low/Medium/ High*		Low/Medium/ High*
Errors identified as a result of 2014/2015 testing may have been replicated in 2015/2016	Medium	Perform early extended testing in those areas where errors were identified	Low
<b>Ward(s) affected:</b>		N/A	
<b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i>		None	
<b>Documents attached:</b>		<b>Appendix A</b> – Ernst and Young Certification of Claims and Returns Annual Report 2015/2016	

## **1. Key issues and reasons for recommendation**

- 1.1 Ernst and Young (EY) has issued at **Appendix A**, an annual report on the Certification of Claims and Returns for 2015/2016. This report summarises the results of the certification work undertaken by EY staff as part of the annual audit of grant claims to government departments and sets out the scale fee for carrying out this work.
- 1.2 Funding from government departments is an important income stream for the Council which has to put in place procedures to ensure that it has met the conditions attached to the funding and, in some cases, must complete returns providing financial information to support the claims. The government departments may require appropriately qualified auditors to certify the claims.
- 1.3 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 the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.
- 1.4 For 2015/2016, these arrangements required only the certification of the housing benefits subsidy claim with a total value of £15.762 million.
- 1.5 The certification work found errors on the claim amounting to £431 and these errors have been corrected by officers. A qualification letter setting out further errors and uncertainties was also reported to the Department for Works and Pensions (DWP). The relevant officers of the Council and Anglia Revenues Partnership (ARP) have agreed the qualifications in respect of the 2015/2016 certification work, as detailed in **Appendix A**. ARP has taken action to address the issues for 2016/2017.
- 1.6 In addition, the PSAA determine a scale fee each year for the audit of claims and returns. For 2015/16, the indicative scale fee for the audit of the Housing benefits subsidy claim was £15,642. However, EY are proposing a reduction of £3,200 to the fee to reflect the reduced amount of audit work that needed to be completed resulting in an actual fee of £12,442 (subject to PSAA agreement).
- 1.7 EY have made no recommendations to Members as a result of the audit.