

AUDIT COMMITTEE	AGENDA ITEM No. 5
12 FEBRUARY 2018	PUBLIC REPORT

Report of:	Marion Kelly - Interim Corporate Director of Resources	
Cabinet Member(s) responsible:	Cllr Seaton - Resources	
Contact Officer(s):	Peter Carpenter - Service Director - Financial Services	Tel. 384564

CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2016-17

R E C O M M E N D A T I O N S	
FROM: Marion Kelly - Interim Corporate Director of Resources	Deadline date: 12 February 2018
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 1. Note the grant certification report. 2. Receive a further update when the audit work is finalised. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to Audit Committee following a referral from the S151 Finance Officer.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to introduce the certification of claims and returns annual report from Ernst & Young (EY), the Council's external auditors.

2.2 This report is for Audit Committee to consider under its Terms of Reference No. 2.2.1.5

"To consider the external auditors annual letter, relevant reports and the report to those charged with governance"

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	n/a
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4. BACKGROUND AND KEY ISSUES

4.1 Guidance for 2016/17 claim certification was issued to auditors by Public Sector Audit Appointments.

4.2 Errors identified by EY during the audit are:

- £56 in a sample of £2m due to rent calculation errors
- £8 in a sample of £190k due to weekly income miscalculated
- £642 in a sample of £225k due to earned income miscalculations

4.3 When extrapolated by EY and reported to DWP the earned income miscalculation could have led

to a subsidy loss. It increases the level of local authority error reported above subsidy thresholds.

- 4.4 The thresholds are calculated as standard percentages of total benefits paid. The lower threshold is £0.324m and the upper threshold is £0.364m for 2016/17.
- 4.5 Subsidy is paid at 100% up to the lower threshold. If total error is between the lower and upper thresholds all is subsidised at 40%. If total error is above the upper threshold no subsidy is received on any of the local authority error.
- 4.6 The earned sample error income cited in 4.2 above was extrapolated to increase local authority error by £203k. In addition to the £266k already included in the claim and receiving 100% subsidy, the extrapolation would have resulted in error exceeding the upper threshold and no subsidy being payable on any local authority error.
- 4.7 Following the EY letter DWP has asked the Council to further test relevant cases in order to substantiate the claim. This additional work in turn will be audited by EY. The final audit certification fee is therefore yet to be determined. Good progress is being made to demonstrate some of the sample errors did not constitute overpayments and therefore that any subsidy loss can be avoided.

5. CONSULTATION

- 5.1 The grants certification report and approach to further testing have been discussed and agreed with the s151 officer.

6. ANTICIPATED OUTCOMES OR IMPACT

- 6.1 To note the EY 2016/17 certification report and comment on any issues the Committee considers relevant.

7. REASON FOR THE RECOMMENDATION

- 7.1 To work with EY in shaping the 2017/18 certification work.

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 None as Audit Committee is required to receive the report.

9. IMPLICATIONS

Financial Implications

- 9.1 The cost of audit is already budgeted, but not any additional fee.

Legal Implications

- 9.2 None.

Equalities Implications

- 9.3 None.

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- 10.1 2016/17 FORM MPF720A

11. APPENDICES

- 11.1 App A - Certification of claims and returns annual report 2016-17