

Certification of claims and returns annual report 2015-16

Adur District Council

December 2016

Ernst & Young LLP



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The Members of the Joint Governance Committee
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December 2016
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Dear Members

Certification of claims and returns annual report 2015-16 for Adur District Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Adur District Council's 2015-16 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.

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.

For 2015-16, 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 (DWP) and did not undertake an audit of the claim.

Summary

Section 1 of this report outlines the results of our 2015-16 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £20,585,756. Our initial work identified a number of errors. As a result further testing needed to be undertaken by the Council and reviewed by us. We reported the results of our initial and additional testing to the DWP in a qualification letter. Details of the qualification matters are included in section 2.

Fees for certification and other returns work are summarised in section 3. The housing benefits subsidy claim fees for 2015-16 were published by PSAA in March 2015 and are now available on the PSAA's website (www.psaa.co.uk).



We welcome the opportunity to discuss the contents of this report with you at the 24 January 2017 Joint Governance Committee.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Paul King', is located below the 'Yours faithfully' text.

Paul King
Executive Director
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£20,585,756
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2015-16	£27,019 ¹
Fee – 2014-15	£16,307

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the 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 previous years claims. We found errors and carried out extended testing in several areas. These areas are largely consistent with those errors identified in previous years, showing little improvement in the assessment of cases year on year.

We have reported underpayments, uncertainties and the extrapolated value of other errors 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. These are the main issues we reported:

Non HRA Rent Rebates

- We identified 1 failure in our initial testing of Non-HRA Rent Rebate cases whereby the Council incorrectly recorded a technical overpayment as an eligible overpayment. This resulted in an overstatement of Cell 28 and understatement of cell 27. We undertook additional testing on the remaining population (11 cases) of Non-HRA Rent Rebate cases containing an entry in cell 28 (eligible overpayments). No further errors were identified. The claim form was subsequently amended to correct this error. Amendments are not required to be reported in the qualification letter.
- We identified 2 failures in our initial testing of Non-HRA Rent Rebate cases whereby the Council had incorrectly offset an overpayment against an underlying entitlement. This resulted in the headline cell 11 and Technical Overpayments in cell 27 being understated by the same amount. We asked the Council to undertake 40+ testing on Non-HRA Rent Rebate cases containing an entry in cell 27 to determine whether the overpayment had been offset against underlying entitlement. No further errors were identified. This error was reported in our Qualification Letter.

HRA Rent Rebates

- We identified 1 failure in our initial testing of HRA Rent Rebate cases whereby an incorrect working tax credit figure had been used in the calculation of a claimant's income. We also identified 2 failures in our initial testing whereby self-employed earnings were incorrectly calculated, resulting in an overpayment of benefit. We asked the Council to undertake 40+ testing on HRA Rent Rebate cases containing an income assessment. A further 13 cases were identified where the claimant's income

¹ Further information regarding the fee is in Section 2.

had been incorrectly assessed. Those errors resulting in an overpayment extrapolated and reported in our Qualification Letter.

- As part of our 2014/15 certification work, we identified a number of errors whereby non-dependant deductions were incorrectly calculated and included in a claimant's assessment. The certification instructions issued by the DWP state where such errors arise in previous years, auditors should consider asking the authority to undertake 40+ testing to determine if the error arises in the subsequent year. We therefore asked the Council to undertake 40+ testing on such cases. 7 errors were identified. Those errors resulting in an overpayment extrapolated and reported in our Qualification Letter.

Rent Allowances

- We identified 6 failures in our initial testing of HRA Rent Rebate cases whereby the Council had incorrectly assessed a claimant's income:
 - 1 case where benefit was underpaid as a result of self-employed earnings being calculated incorrectly.
 - 1 case where a claimant's self-employed earnings had been calculated incorrectly, but had no impact on the subsidy received by the claimant.
 - 2 cases where benefit was overstated as a result of earnings being calculated incorrectly.
 - 1 case where benefit was understated as a result of childcare payments being understated.
 - 1 case where benefit was overpaid due to an understatement of the State Retirement Pension in the claimant's income assessment.

We asked the Council to undertake 40+ testing on Rent Allowance cases containing an income assessment. This identified a further 19 cases where income had been incorrectly assessed. Those errors resulting in an overpayment extrapolated and reported in our Qualification Letter.

- We identified 3 failures in our initial testing of Rent Allowance cases whereby benefit was overstated as a result of using an incorrect deduction for non-dependants. We asked the Council to undertake 40+ testing on Rent Allowance cases containing a non-dependent deduction. A further 10 cases were identified where the assessment included incorrect values for non-dependent deductions. Those errors resulting in an overpayment extrapolated and reported in our Qualification Letter.
- We identified 2 failures in our initial testing of Rent Allowance cases whereby the claimants rent was incorrectly recorded. We asked the Council to undertake 40+ testing on Rent Allowance cases containing a rental value. A further 2 cases were identified where the assessment included incorrect rental values. All of these errors resulted in an underpayment of subsidy to the claimant (and therefore understatement of subsidy claimed from the DWP). In accordance with the DWP's certification instructions, as this error resulted in underpayments only, there was no amendment to the claim form and the error was not extrapolated or reported to the DWP in our Qualification Letter.
- We identified 1 failure in our initial testing of Rent Allowance cases whereby an incorrect non-dependent deduction had been recorded, which resulted in an underpayment of benefit in the prior year. We asked the Council to undertake 40+ testing on Rent Allowance cases containing an overpayment in the prior year to

determine the overpayment was correctly calculated and recorded. We identified a further 6 errors. Those errors resulting in an overpayment extrapolated and reported in our Qualification Letter.

2. 2015-16 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2015-16, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) in March 2015 and are now available on the PSAA's website (www.psa.co.uk).

Claim or return	2015-16	2015-16	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	27,019	27,019	16,307

The actual fee of £27,019 is the scale fee set by the PSAA and is based upon the 2013/14 fee, where significant additional procedures were completed by the audit team. We are in discussion with officers in order to refund part of this fee.

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 2016-17 is £6,716. This was prescribed by PSAA in March 2016, based on no changes to the work programme for 2015-16. Indicative fees for 2016/17 housing benefit subsidy certification work are based on final 2014/15 certification fees. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable for 2014-15.

Details of individual indicative fees are available at the following web address:
<http://www.psaa.co.uk/audit-and-certification-fees/201617-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. We will inform the Executive Director of Finance & Resources before seeking any such variation.

PSAA is currently consulting on the 2017-18 work programme. There are no changes planned to the work required and the arrangements for certification of housing benefit subsidy claims remain in the work programme. However, this is the final year in which these certification arrangements will apply. From 2018-19, the Council will be responsible for appointing their own auditor and this is likely to include making their own arrangements for the certification of the housing benefit subsidy claim in accordance with the requirements that will be established by the DWP.

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