

Certification of claims and returns annual report 2015-16

Worthing Borough Council

December 2016

Ernst & Young LLP



EY

Building a better
working world

The Members of the Joint Governance Committee
Adur & Worthing Councils,
Worthing Town Hall,
Chapel Road,
Worthing,
West Sussex,
BN11 1HA

December 2016
Ref:

Direct line: 0118 928 1556
Email: pking1@uk.ey.com

Dear Members

Certification of claims and returns annual report 2015-16 for Worthing Borough Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Worthing Borough 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 £39,974,509. 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 the 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 dark ink, appearing to read 'Paul King', with a horizontal line underneath.

Paul King
Executive Director
Ernst & Young LLP
Enc

Contents

1. Housing benefits subsidy claim.....	1
2. 2015-16 certification fees.....	2
3. Looking forward.....	3

1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£39,974,509
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2015-16	£9,184 ¹
Fee – 2014-15	£7,730

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.

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:

- We identified 1 failure in our initial testing of Non-HRA Rent Rebate cases whereby the Council incorrectly posted a correction to a previous error through the wrong subsidy cell on the claim form, resulting in an overstatement of Cell 15. We investigated this error further and determined it was isolated. The claim form was subsequently amended to correct this error. Amendments are not required to be reported in the Qualification Letter.
- We identified 1 failure in our initial testing of Non-HRA Rent Rebate cases whereby the Council misclassified an overpayment as an eligible overpayment in cell 28, rather than as a Local Authority error in cell 26. Cell 28 was therefore overstated and cell 26 understated. We asked the Council to undertake 40+ testing on Non-HRA Rent Rebate cases containing an entry in cell 28 to determine whether the classification was correct. We tested the whole population of 25 cases. No further errors were identified. This error was reported in our Qualification Letter.
- We identified 3 failures in our initial testing of Rent Allowance cases whereby claimant income had been incorrectly assessed. We asked the Council to undertake 40+ testing, which identified a further 3 errors. These errors were extrapolated and reported in our Qualification Letter.

We experienced considerable delays in the Council completing the two sets of 40+ testing, which resulted in certification of the claim being delayed to 1 December 2017, the day after the certification deadline of 30 November. The 40+ testing should have been completed sooner, which would have enabled us to complete our work and certify the claim before the deadline date. Due to these delays, the additional time spent following up the uncompleted work and the additional volume of errors identified compared to 2013/14 (upon which the indicative fee is based), we intend to charge the Council an additional £1000 (subject to approval by PSAA).

¹ The Actual Fee differs from the Indicative Fee due to significant delay in the delivery of 40+ testing and the additional errors (and therefore procedures which had to be completed in response to these errors).

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	9,184 ²	8,184	7,730

² As noted on page 1, the Actual Fee differs from the Indicative Fee due to significant delay in the delivery of 40+ testing and the additional errors (and therefore procedures which had to be completed in response to these errors).

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.

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.
All Rights Reserved.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

ey.com