

Certification of claims and returns annual report 2014/15

East Cambridgeshire District Council

21 January 2016

Ernst & Young LLP



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Dear Members

Certification of claims and returns annual report 2014/15 East Cambridgeshire District Council

We are pleased to report on our certification work. This report summarises the results of our work on East Cambridgeshire District Council's 2014/15 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.

Under section 28 of the Audit Commission Act 1998, as transitionally saved, the Audit Commission made arrangements for certifying claims and returns in respect of the 2014/15 financial year. 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 and did not undertake an audit of the claim.

Statement of responsibilities

The Audit Commission's 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities) applied to this work. It serves as the formal terms of engagement between ourselves as your appointed auditor and the Council as audited body.

This report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the Council. As appointed auditor we take no responsibility to any third party.

Summary

Section 1 of this report outlines the results of our 2014/15 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £20.8 million and met the submission deadline. We issued a qualification letter with our submission; the qualification matters are included in section 2. We made amendments to the claim which increased subsidy claimed by £368.



Fees for certification work are summarised in section 2. The fees for 2014/15 were published by the Audit Commission on 27 March 2014 and are now available on the Public Sector Audit Appointments Ltd (PSAA's) website (www.psaa.co.uk)

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee.

Yours faithfully

A handwritten signature in black ink that reads 'Rob Murray'. The signature is written in a cursive style and is underlined.

Rob Murray
Executive Director
Ernst & Young LLP
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£20,818,569
Amended	Yes - total subsidy claimed increased by £368 for errors identified during testing.
Qualification letter	Yes
Fee – 2014/15	£20,320 (which includes £1,030 additional fee)
Fee – 2013/14	£20,275

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (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 a number of areas.

Summary of errors: 2014/15

Description of Cell	Nature of error
Cell 011: Non-HRA rent rebates - total expenditure (benefit granted)	The Council has amended the claim for the cases where the landlord is a housing association and not as the authority as originally recorded.
Cell 094: Rent Allowance – total expenditure (benefit granted)	Initial testing identified one case where the Council had overpaid benefit by removing a non-dependent on the incorrect date. Extended 40+testing identified two further overpayments and one underpayment. We extrapolated the results in our 2014/15 Qualification Letter.
Cell 094: Rent Allowance – total expenditure (benefit granted)	We reported in our 2014/15 Qualification Letter two system errors resulting in overpayments relating to self-employed earnings and annual pension.

Follow up of errors from 2013/14

Description of Cell	Follow up issue
Cell 011: Non-HRA rent rebates - total expenditure (benefit granted)	In 2013/14, the certification process identified 22 claims relating to a different Authority during sample testing. No further cases were identified during our 2014/15 testing. We have reported the impact of the 2013/14 errors on the 2014/15 claim in our Qualification Letter.

Description of Cell	Follow up issue
Cell 094: Rent Allowance – total expenditure (benefit granted)	In 2013/14 we identified the incorrect calculation of earned income. 2014/15 initial and 40+ testing of the sub-population identified 5 cases where the earnings had been incorrectly assessed resulting in an underpayment of benefit and 3 cases where the earnings had been incorrectly assessed resulting in an overpayment of benefit. We extrapolated the results in our 2014/15 Qualification Letter.
Cell 094: Rent Allowance – total expenditure (benefit granted)	In 2013/14 we identified that an overpayment had been misclassified as claimant error when it should be local authority error. 2014/15 initial and 40+ testing of the sub-population identified one case of a similar misclassification. We extrapolated the results in our 2014/15 Qualification Letter.

We have reported underpayments and other uncertainties in our Qualification Letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or claw back the benefit subsidy paid.

As the errors were found in November 2015, the Council may have made similar errors in the early part of the 2015/16 financial year. I have therefore recommended the need for early extended testing in these areas to identify the extent of similar errors that may have been made in 2015/16.

The claim form certificate is signed by the Chief Finance Officer (CFO) confirming that the administrative systems, procedures and key controls for awarding benefits operate effectively and the Council has taken reasonable steps to prevent and detect fraud. Given the qualification issues reported and the amendments made to the claim, there is opportunity to further strengthen the review procedures in place.

Issues for the 2015/16 audit

2015/16 issue	Recommendation
Early extended testing	Perform early extended testing in those areas where errors were identified in 2014/15, to ascertain the extent of similar errors arising in 2015/16.
Chief Finance Officer's certificate	Strengthen quality assurance and review procedures to evidence that the CFO certificate can be given.

2. 2014/15 certification fees

The Audit Commission determined a scale fee each year for the audit of claims and returns. For 2014/15, these scale fees were published by the Audit Commission on 27 March 2014 and are now available on the PSAA's website (www.psa.co.uk).

Claim or return	2013/14	2014/15	2014/15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	20,275	19,290	20,320
Total	20,275	19,290	20,320

The fee includes time for annual reporting, planning, supervision and review.

The indicative fee for 2014/15 is based on the fee for 2012/13. The actual fee for 2014/15 is £1,030 higher than the indicative fee to reflect the extra work we have undertaken in 2014/15.

Our proposed final fee has been discussed with officers. This is subject to review by Public Sector Auditor Appointments who will determine a final scale fee which will not exceed the £20,320 above.

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 2015/16 is £15,206. This was prescribed by PSAA in April 2015, based on no changes to the work programme for 2015/16. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable for 2013/14.

Details of individual indicative fees are available at the following web address:
<http://www.psa.co.uk/audit-and-certification-fees/201516-work-programme-and-scales-of-fees/individual-fees-for-local-government-bodies>.

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Financial Services Manager before seeking any such variation.

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