

# Certification of claims and returns annual report 2015-16

East Cambridgeshire District Council

January 2017

Ernst & Young LLP



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17 January 2017

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Dear Members

## **Certification of claims and returns annual report 2015-16 East Cambridgeshire District Council**

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on East Cambridgeshire 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 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 £19,922,175. We met the submission deadline. We issued a qualification letter – details of the qualification matters are included in section 1. Our certification work found errors in the samples tested, however no amendments were made to the claim.

For 2015-16, the Authority undertook both the initial and extended testing. We are therefore proposing to reduce the fee by £3,202 to take account of the reduced amount of audit work that needed to be completed. The reduction in fee is subject to PSAA agreement.

Fees for certification are summarised in section 3. The housing benefits subsidy claim fees for 2015-16 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2015 and are now available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

We welcome the opportunity to discuss the contents of this report with you at committee on 30 January 2017.

Yours faithfully



**Neil Harris**  
Executive Director  
Ernst & Young LLP  
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## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£ 19,922,175
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2015-16	£15,206 scale fee £ (3,202) proposed reduction in fee £12,004 final fee for 2015-16
Fee – 2014-15	£19,290
<b>Recommendations from 2014-15</b>	<b>Findings in 2015-16</b>
None	See detail below

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 several areas.

We have reported the extrapolated value of these errors, underpayments, and other observations in a qualification letter. The DWP then decides whether to ask the Council to carry our further work to quantify the errors or to claw back the benefit subsidy paid. These are the main issues we reported:

- Testing of the initial sample identified 2 cases where the earnings were incorrectly assessed resulting in an underpayment of benefit; and 1 case where the earnings were incorrectly assessed resulting in an overpayment of benefit. Testing of an additional sample of 40 cases identified 6 further cases where the earnings were incorrectly assessed resulting in underpayment of benefit; and 2 further cases where the earnings were incorrectly assessed resulting in overpayment of benefit.
- Testing of the initial sample identified 1 case where the Council had misclassified overpaid benefit as an eligible overpayment instead of LA error/admin delay. Testing of an additional sample of 40 cases identified 1 further case where the Council had misclassified overpaid benefit as an eligible overpayment instead of LA error/admin delay.
- Testing of the initial sample identified 1 case where the state retirement pension had been incorrectly input in the system; however it did not have any impact on benefit on this case. Testing of an additional sample of 40 identified 2 further cases where the state retirement pension was incorrectly assessed resulting in underpayment of benefit and 1 further case where the state retirement pension was incorrectly assessed resulting in overpayment of benefit.
- Testing of the initial sample identified 1 case where the annual rent applied from Sanctuary Housing was the 2014-15 amount rather than the 2015-16 rent amount resulting in an underpayment of benefit. Testing of an additional random sample of 40 cases identified 1 further case with the same error resulting in an underpayment of benefit. As there is no eligibility to subsidy for benefit which has not been paid, the fails identified did not affect subsidy and were not classified as errors for subsidy purposes.

## 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.psaa.co.uk](http://www.psaa.co.uk)).

Claim or return	2015-16	2015-16	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	£12,004	£15,206	£19,290

The indicative fee for 2015-16 is based on the actual fee for 2013-14 with a 25% reduction in scale fee.

For 2015-16 the level of error identified was similar to that identified in 2013-14, however for 2015/16 the Authority undertook both the initial and extended testing. We are therefore proposing to reduce the fee by £3,202 to take account of the reduced amount of audit work that needed to be completed. The reduction in fee is subject to PSAA agreement.

### 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 £15,632. 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.psa.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 Corporate Director & Chief Finance Officer 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.

Looking forward

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