

Certification of claims and returns annual report 2015/16

Breckland Council

12 December 2016

Ernst & Young LLP



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Dear Members

Certification of claims and returns annual report 2015/16 Breckland Council

We are pleased to report on our certification work. This report summarises the results of our work on Breckland 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 £34,080,770. We met the submission deadline. We issued a qualification letter; details of the qualification matters are included in section 1.

Fees for certification work are summarised in section 2. 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).



We welcome the opportunity to discuss the contents of this report with you at the 24 February 2017 Governance & Audit Committee.

Yours faithfully

Kevin Suter
Executive Director
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£34,080,770
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2015/16	£11,210 (subject to PSAA approval)
Fee – 2014/15	£20,619

Recommendations from 2014/15	Findings in 2015/16
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.	Early extended testing was undertaken in relation to input errors in income assessments. Further details of these findings are included 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 two 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 rent allowance sample identified one case where the Authority had overpaid benefit as a result of a carers allowance not being removed when entitlement ended and one case where benefit had been underpaid as a result of an input error in the income assessment. Extended '40+' testing was undertaken in each of these areas and further errors resulting in overpaid benefit were identified for both types of error;
- testing of the initial non-HRA rent rebate sample identified one case where expenditure had been underpaid as a result of a move to passported benefit being incorrectly applied from the Monday following. No additional testing was undertaken as this type of error will always result in an underpayment of benefit; and
- testing of the initial rent allowance sample identified one case where maintenance payments had not been removed when payment ceased. No additional testing was undertaken as this type of error will always result in an underpayment of benefit.

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	11,210	13,926	20,619

The 2014/15 actual fee included an additional fee to reflect the extra work undertaken for that year. 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 due to the Council undertaking the initial testing, requiring us to review and carry out an element of reperformance of their work only, we are able to reduce the fee by £2,716.

Our final proposed fee remains subject to approval by PSAA.

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 £15,465. 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, Commercialisation 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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