

CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2015/16

1 Purpose

- 1.1 To receive a report on the external auditors' work associated with the certification of 2015/16 claims and returns submitted by AVDC.

2 Recommendations/for decision

- | | |
|-----|--|
| 2.1 | The committee is asked to note the contents of the external auditors' certification report (attached). |
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3 Supporting information

- 3.1 The external auditor is required to certify claims and report findings to the Audit Committee.
- 3.2 This year there was only one claim requiring certification. This was:
-Housing Benefits Subsidy Claim
- 3.3 The certification work identified a small number of classification errors which were corrected and these had no impact on the subsidy claim.

4 Options considered

- 4.1 None.

5 Reasons for Recommendation

- 5.1 This certification report is required by the Audit Commission under Section 28 of the Audit Commission Act 1998.

6 Resource implications

- 6.1 Contained within the body of the report.

Contact Officer
Background Documents

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none

Certification of claims and returns annual report 2015-16

Aylesbury Vale District Council

January 2017

Ernst & Young LLP



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5 January 2017

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Dear Members

Certification of claims and returns annual report 2015-16 Aylesbury Vale District Council

We are pleased to report on our certification work. This report summarises the results of our work on Aylesbury Vale District Council's 2015-16 Housing Benefit claim.

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 £45.1 million. We met the submission deadline. We issued a qualification letter for the claim, details of which are included in section 1.

Our certification work found errors which the Council corrected. The amendments had a marginal effect on the grant due. Fees for certification and other returns 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 23 January Audit Committee.

Yours faithfully

Maria Grindley
Executive Director
Ernst & Young LLP
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1. Housing benefits subsidy claim

| Scope of work | Results |
|--|--|
| Value of claim presented for certification | £45,055,371 |
| Amended/Not amended | Amended – subsidy reduced by £16 |
| Qualification letter | Yes |
| Fee – 2015-16 | £17,411 (See Section 2) |
| Fee – 2014-15 | £16,600 |
| Recommendations from 2014-15 | Findings in 2015-16 |
| None | Initial workbooks completed early which identified a number of errors requiring additional testing (40+ testing) or extended testing being made to the claim. 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. We found errors and carried out additional testing in several areas.

Extended testing identified errors which the Council amended. This included:

Backdated Expenditure

One case failed as the amount classed as backdated expenditure did not meet the requirements of backdated expenditure. This had been picked up by the Council in the year but had not been changed on the system to affect the claim.

A full listing of cases with backdated expenditure was obtained and all cases tested for evidence of the checks performed by the Council in the year. This identified 114 cases that had this element of the claim classified incorrectly as backdated expenditure. This had no impact on the claim.

Non HRA – Weekly Rent Liability

For one of the cases tested the weekly rent liability for the claimant had been calculated incorrectly. This was due to part of the claimants rent being ineligible and the wrong amount had been used. This led to an overpayment of benefit.

100% of Non-HRA cases were tested and the rent liability tested. This identified one additional error where there was no information to support the rental liability amount. As a result the claim was amended

Additional '40+' testing was undertaken which was not amended and included within the Qualification letter:

Self Employed Earnings

Two cases failed due to an incorrect calculation of the claimant's self-employed earnings resulting in an overpayment of benefit.

As a result, a full listing of cases with self-employed income was obtained and an additional 40 cases were tested for correct calculation of self-employed income. This identified a further 4 failures where the incorrect amount had been calculated. For 3 of these cases this resulted in an overpayment and the other case did not have an impact on the claim.

In addition there were 4 cases where there was insufficient evidence to support the figure used for self-employed income. As a result the whole period where there was insufficient evidence is an overpayment.

This resulted in an extrapolated overpayment of £171,964.

Weekly Rent Liability

For one of the cases tested the weekly rent liability for the claimant had been calculated incorrectly. This was due to part of the claimants rent being ineligible and the wrong amount had been used. This led to an overpayment of benefit.

As a result an additional sample of 40 cases was selected which identified one additional error where there was no information to support the rental liability amount.

This resulted in an extrapolated overpayment of £50,174.

Childcare Costs

For one of the cases tested the childcare costs for the claimant had been calculated incorrectly. This led to an overpayment of benefit.

As a result, a full listing of cases with childcare costs obtained and an additional 40 cases were tested for correct calculation of childcare costs. This identified a further failure where the incorrect childcare cost had been calculated resulting in an overpayment of benefit.

This resulted in an extrapolated overpayment of £2,256.

Earned Income

For one of the cases tested the earned income for the claimant had been calculated incorrectly. This led to an overpayment of benefit.

As a result, a full listing of cases with earned income obtained and an additional 40 cases were tested for correct calculation of earned income. This identified a further 2 failures where the incorrect earned income had been calculated. One of these resulted in an overpayment of benefit while the other did not have an impact.

This resulted in an extrapolated overpayment of £1,245.

The total value of the extrapolated overpayments detailed above is £225,639.

If the Council were to amend based on these extrapolations, it would increase their Local Authority Error amount to £377,333 and put them over the threshold (£234,776) in which they are guaranteed full subsidy from the DWP.

We have reported these extrapolations within our qualification letter to the DWP and the DWP will decide whether to ask the Council to carry our further work to quantify the error or to claw back the benefit subsidy paid.

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 | 17,411* | 11,286* | 16,600 |

* The indicative fee is based on the amount of work performed in 2013/14. In 2013/14, there were no errors identified which required additional '40+' testing. Given the additional work performed in 2015-16 compared to 2013/14 an additional fee has been requested.

This will be subject to approval by the PSAA. The proposed fee for 2015-16 comprises the indicative fee plus £6,125 being the additional fee required to cover the work needed to complete the additional testing on this year's claim. This additional fee is currently under review and subject to agreement by PSAA so is not yet confirmed.

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 £12,450. 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 the PSAA to any proposed variations to these indicative certification fees. We will inform the Director responsible for finance 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.

4. Summary of recommendations

This section highlights the recommendations from our work and the actions required.

| Issue | Proposed Action |
|--|---|
| Self-employed income cases having insufficient evidence to support the figure used for self-employed income. | The Council should ensure that for all self-employed cases, there is supporting information obtained from the claimant. |
| Increased incidents of errors compared to prior years resulting in additional testing being necessary. | Staff to receive continuous training on documentation requirements, particularly staff new to the role. |

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