

Certification of claims and returns annual report 2014-15

South Bucks District Council

4 January 2016

Ernst & Young LLP



Building a better
working world



Ernst & Young LLP
Apex Plaza
Forbury Road
Reading
RG1 1YE

Tel: + 44 118 928 1599
Fax: + 44 118 928 1101
ey.com

Audit Committee
South Bucks District Council
Capswood
Oxford Road
Denham
Buckinghamshire
UP9 4LH

4 January 2016

Direct line: **0118 928 1167**
Email: abrittain@uk.ey.com

Dear Members

Certification of claims and returns annual report 2014-15 South Bucks District Council

We are pleased to report on our certification work. This report summarises the results of our work on South Bucks District Council's 2014-15 claims and returns.

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 us as 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 £15,767,021. We met the submission deadline. We issued a qualification letter; details of the qualification matters are included in section 2. Our certification work found errors which the Council corrected. The amendments had a marginal effect on the grant due, increasing it by £179.



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 at the Audit Committee on 21 January 2016.

We would like to thank the Council's officers and Northgate Housing Benefits staff for their help. The certification process requires considerable input from them to be carried out efficiently and we are most grateful for their assistance.

Yours faithfully

Andrew Brittain
Executive Director
Ernst & Young LLP
Enc

Contents

1. Housing benefits subsidy claim.....	1
2. 2014-15 certification fees.....	3
3. Looking Forward.....	3

1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£15,767,021
Amended/Not amended	Amended – subsidy increased by £179
Qualification letter	Yes
Fee – 2014-15	£27,860
Fee – 2013-14	£25,707

Recommendations from 2013-14	Findings in 2014-15
No recommendations were made in 2013-14	<p>Incorrect application of ineligible service charges: a check of all such cases was carried out and an amendment to the claim form was made.</p> <p>Incorrect calculation of student income: no additional cases with student income were identified but the claim form was amended to correct the initial error.</p> <p>Incorrect application of the Spare Bedroom Allowance: 2 cases of overpayment with extrapolated impact of £17,849 if DWP decide to claw back.</p> <p>Incorrect updating of rental charge by a specific housing association (L&Q): a check of all such cases was carried out and an amendment to the claim form was made.</p> <p>Incorrect application of Rent Liability: 3 cases of overpayment with extrapolated impact of £14 if DWP decide to claw back.</p> <p>Incorrect application of non-dependant (as a result of error identified in 2013-14): 2 cases of overpayment with extrapolated impact of £4,324 if DWP decide to claw back.</p>

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.

Extended and other testing identified errors which the Council amended. They had a small net impact on the claim. We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decide whether to

ask the Council to carry our further work to quantify the error or to claw back the benefit subsidy paid. These are the main issues we reported:

Testing of the initial sample and 40+ identified (2014-15):

- 1 case where benefit was overpaid as a result of incorrect ineligible service charges (not uprated to 14-15 rates). This led to an overpayment of benefit of £2.34. Additional testing was carried out which identified 4 more cases with overpaid benefit which totals £16.61. The claim form was amended accordingly.
- 1 case where benefit was overpaid due to incorrect calculation of student income. This led to an overpayment of benefit of £161.40. As there are no further non-HRA cases with student income, no further testing was done. The claim form was amended accordingly.
- 2 cases where the authority had overpaid benefit as a result of incorrect application of the Spare Bedroom Allowance. We therefore had to carry out 40+ testing but no further failures were identified. Extrapolation of the overpayments gives an error figure of £17,849.
- 1 case where the Council had underpaid benefit as a result of incorrect updating of the rental charge increase by a specific housing association (L&Q). All cases were tested and 2 further overpayments were identified. The claim form was amended accordingly.
- 1 case where the Council had underpaid benefit as a result of incorrect rent liability being used. This was due to a rounding issue when converting monthly to weekly rent after deduction of ineligible service charges. 40+ testing was carried out and identified 3 additional overpayment failures: once extrapolated these led to an error figure of £14.

Testing of the errors identified in 2013-14:

In 2013-14 testing identified 1 case where the Council had incorrectly including non-dependant deduction in the subsidy calculation. So we carried out 40+ testing of non-dependant deductions in 2014-15. From this 2 cases were identified with overpayments (with an extrapolated value of £4,324) and 2 cases with underpayments.

We were satisfied that some errors could only result in underpayments; officers have agreed our findings in these cases but we do not need to report them in detail to DWP.

The net impact on the claim was to increase it by £179.

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.psaa.co.uk).

Claim or return	2013-14	2014-15	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	25,707	27,860	27,860

No changes to the 2014-15 fees are being proposed.

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 £19,280. 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 2014-15.

Details of individual indicative fees are available at the following web address:
<http://www.psaa.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 Head of Finance before seeking any such variation.

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

