

Certification of claims and returns annual report 2015-16

South Bucks District Council

13 February 2017

Ernst & Young LLP



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Dear Members

Certification of claims and returns annual report 2015-16 South Bucks District Council

We are pleased to report on our certification work on South Bucks District Council's 2015-16 claims, which we summarise here.

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 £15,706,364. 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 which the Council corrected. The amendments had a marginal effect on the grant due: it increased by £653.

Fees for certification and other returns work 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).

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee on 16 March 2017.



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
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£15,705,711
Amended/Not amended	Amended – subsidy increased by £653
Qualification letter	Yes
Fee – 2015-16	£19,280
Fee – 2014-15	£27,860

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 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 decides whether to ask the Council to carry out 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:

Non-HRA rebate cases:

- 1 case where childcare costs were miscalculated
- 1 case where earnings were miscalculated
- 1 incorrect offset for change of address

A check of all such cases was carried out and the claim form was amended.

Rent allowance cases

- 1 case with both over- and under-payment because of incorrect assessment of self-employed earnings. The overpayment was £1.96. We therefore had to carry out 40+ testing and identified a further 2 overpayments totalling £2.95. We also found 3 underpayments and 1 case where the error made no difference to subsidy. The extrapolated impact of the error is £5, if the DWP decides to claw it back.
- 1 case where the Council had overpaid benefit as a result of failing to apply the appropriate Social Sector Size Criteria (SSSC) rules: this is also known as the "spare bedroom allowance". We also found this issue last year. We therefore had to carry out 40+ testing but no further failures were identified. The extrapolated impact of the error is £13,342, if the DWP decides to claw it back.
- 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: we also raised this issue last year. 40+

testing identified 2 further overpayment failures. The extrapolated impact of the error is £366, if the DWP decides to claw it back.

Modified schemes:

- 1 minor overpayment. A check of all such cases was carried out and the claim form was amended.

Testing of the errors identified in 2014-15:

- Initial testing did not identify any errors relating to non-dependants. However, there was a prior year qualification within this cell or related cells relating to this type of error, and the DWP requires us to complete 40+ testing in these cases. We found 1 underpayment but did not need to carry out any further work.

All these amendments and extrapolations were reported to the DWP in the qualification letter. The net impact on the claim was to increase it by £653, with a total extrapolation of £13,713 which the DWP may decide to claw back from the Council.

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).

Claim or return	2015-16	2015-16	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	19,280	19,280	27,860

No changes to the 2015-16 fees are being proposed.

The fee level is set by referring to the actual fee for two years previously, adjusted for the 25% "discount" arising from the last of the savings made through the final Audit Commission regime negotiations. The level of work has reduced from that undertaken in 2013-14.

3. Looking forward

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 £20,895. 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 Head of 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.

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