

Certification of claims and returns annual report 2015-16

Wycombe District Council

8 February 2017

Ernst & Young LLP



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Dear Members

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

We are pleased to report on our certification work on Wycombe 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 main findings.

We checked and certified the housing benefits subsidy claim with a total value of £48,133,608. 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 decreased by £205.

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 23 March 2017.



We would like to thank the Council's officers, especially 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 professionalism and assistance.

Yours faithfully

Maria Grindley
Director
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value of other errors in a qualification letter. The DWP will decide 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 (2015-16):

Incorrect employed earnings calculation

Initial testing identified two cases where benefit was overpaid as a result of incorrectly assessing weekly earned income. There was also a prior year qualification for this type of error, so the Authority was required to complete testing in line with DWP requirements.

Testing of the additional sample of 40 cases identified:

- 7 cases where the Authority had overpaid benefit as a result of incorrectly assessing and inputting earned income.
- 2 cases where the Authority had both overpaid and underpaid benefit as a result of incorrectly assessing and inputting earned income.
- 1 case where the Authority underpaid benefit as a result of incorrectly assessing earned income.

Incorrect assessment of LHA rate

Initial testing identified one case where the Authority had underpaid benefit as a result of failing to uprate the weekly rent and another case with underpaid benefit as a result of incorrectly assessing the required number of bedrooms and applying an incorrect LHA rate.

Testing of the additional sample of 40 cases identified one case where the Authority had underpaid benefit as a result of failing to update the weekly rent amount.

Incorrect assessment of occupational pension

Initial testing identified one case where the Authority had overpaid benefit as a result of incorrectly assessing occupational pension.

Testing of the additional sample of 40 cases identified six cases where the Authority had overpaid benefit as a result of incorrectly inputting/failing to update increased occupational pension amounts.

Incorrect assessment of self-employed earnings

Initial testing identified one case where the Authority had overpaid benefit as a result of incorrectly assessing self-employed income. There was also a prior year qualification for this type of error, so the Authority was required to complete testing in line with DWP requirements.

Testing of the additional sample of 40 cases identified six cases where the Authority had underpaid benefit as a result of incorrectly assessing/inputting self-employed earnings, and six cases where benefit had been overpaid.

Incorrect classification of eligible overpayments

Initial testing identified one case where the Authority had misclassified expenditure related to cases not requiring referral to the rent officer as eligible overpayments, and another case where expenditure was misclassified as claimant error when it should have been LA error.

There was also a prior year qualification for this type of error, so the Authority was required to complete testing in line with DWP requirements.

Testing of the additional sample of 40 cases identified two further cases where claimant error had been misclassified as LA error.

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, so the authority was required to complete testing. We found one underpayment and three overpayments in the calculation of these cases.
- Initial testing did not identify any errors relating to tax credits. However, there was a prior year qualification within this cell or related cells relating to this type of error, so the authority was required to complete testing. We found one underpayment and two overpayments.

The net impact on the claim was to decrease it by £205.

Upper threshold for total local authority error and administrative delay overpayments

The Council currently receives 100% subsidy for "Local Authority error and administrative delay" overpayments (total value of £207,888 on the 2015-16 claim). If the DWP choose to apply the extrapolations arising from the errors identified above (total extrapolated value £204,270), the Council would breach the upper threshold set for total "local Authority error and administrative delay" overpayments of £251,702. In this event, the Council loses all subsidy for this type of overpayment, i.e. the amount of subsidy previously received would be repayable to the DWP.

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	16,833	16,833	33,230

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.

In 2014-15 we also charged an additional fee for extra work required.

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 £29,145. 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 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 its own auditor and this is likely to include making its 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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