

Certification of claims and returns annual report 2015/16

St Edmundsbury Borough Council

24 January 2017

Ernst & Young LLP



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24 January 2017

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Dear Members

Certification of claims and returns annual report 2015/16 St Edmundsbury Borough Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on St Edmundsbury Borough 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 £29,882,998. We met the submission deadline. We issued a qualification letter; details of the qualification matters are included in section 1.

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 25 May 2017 Committee.

Yours faithfully

Mark Hodgson
Executive Director
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£29,882,998
Amended/Not amended	Amended – subsidy reduced by £9,698
Qualification letter	Yes
Fee – 2015/16	£24,722
Fee – 2014/15	£30,110
Recommendations from 2014/15	Findings in 2015/16
None	N/a

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.

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 out further work to quantify the errors or to claw back the benefit subsidy paid. These are the main issues we reported:

- The testing of the initial sample identified 1 case where as the result of an overpayment, the Housing Benefits System has not correctly split the claim between cell 012 and Cell 013. This type of error will always result in an under-claim of subsidy and the Council has decided not to undertake any further work on this error and to accept the loss of subsidy.
- The testing of the initial sample identified 1 case where the earnings have been incorrectly assessed resulting in an underpayment of benefit. As the nature of the error is such that either an underpayment or overpayment may arise, we have undertaken the testing of an additional random sample and identified the following errors; 5 cases where the earnings have been incorrectly assessed resulting in an underpayment of benefit and 4 cases where the earnings have been incorrectly assessed resulting in an overpayment of benefit.
- No cases were identified in the initial sample where the occupational pension had been incorrectly input at the start of the claim. As issues were reported in the 2014/15 Qualification letter and the nature of the error is such that either an underpayment or overpayment may arise, we have undertaken the testing of an additional sample and identified the following errors; 2 cases where the occupational pension has been incorrectly assessed resulting in an underpayment of benefit; and 5 cases where the occupational pension has been incorrectly assessed resulting in an overpayment 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 £'s	Indicative fee £'s	Actual fee £'s
Housing benefits subsidy claim	£24,722	£30,822	£30,110

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, the Authority undertook both the initial and extended testing. In addition for 2015/16 the level of error identified was lower than that identified in 2013/14. We are therefore proposing to reduce the fee by £6,100 to take account of the reduced amount of audit work that needed to be completed. The reduction in fee is subject to PSAA agreement.

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 still to be confirmed. 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 S151 or Deputy S151 Officer 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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