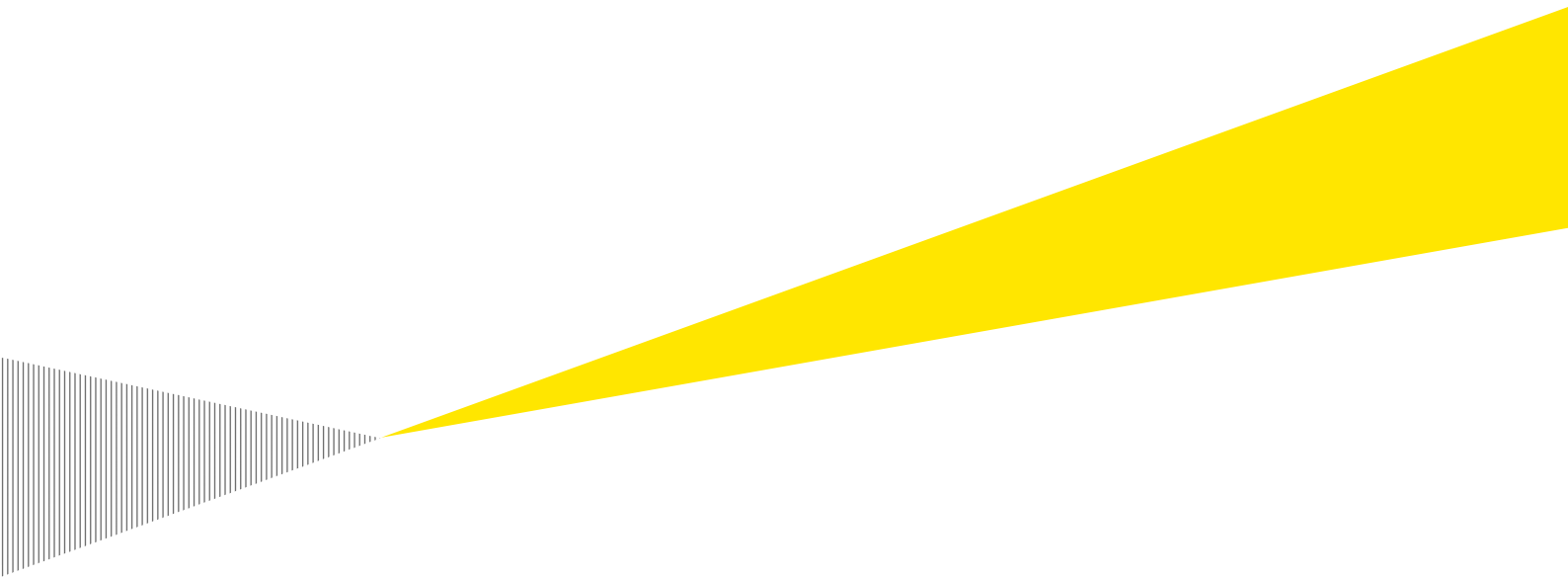


Certification of claims and returns annual report 2013-14

Forest Heath District Council

3 February 2015



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Dear Members

Certification of claims and returns annual report 2013-14
Forest Heath District Council

We are pleased to report on our certification work. This report summarises the results of our work on Forest Heath District Council's 2013-14 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 are required to complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require certification from an appropriately qualified auditor of the claims and returns submitted to them.

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. When such arrangements are made, certification instructions, issued by the Audit Commission to appointed auditors of the audited body, set out the work they must undertake before issuing certificates and set out the submission deadlines.

Certification work is not an audit. Certification work involves executing prescribed tests designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions.

In 2013-14, the Audit Commission did not ask auditors to certify individual claims and returns below £125,000. The threshold below which auditors undertook only limited tests remained at £500,000. Above this threshold, certification work took account of the audited body's overall control environment for preparing the claim or return. The exception was the housing and council tax benefits subsidy claim where the grant paying department sets the level of testing.

Where auditors agree it is necessary, audited bodies can amend a claim or return. An auditor's certificate may also refer to a qualification letter where there is disagreement or uncertainty, or the audited body does not comply with scheme terms and conditions.

Statement of responsibilities

In March 2013 the Audit Commission issued a revised version of the 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities). It is available from the Chief Executive of each audited body and the Audit Commission website.

The statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

This annual certification 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 audited body. As appointed auditor we take no responsibility to any third party.

Summary

Section 1 of this report outlines the results of our 2013-14 certification work and highlights the significant issues.

We checked and certified one claim with a total value of £16.7 million. We issued a qualification letter on this claim, the details of which are included in section 2. Our certification work found errors, which the Council corrected. The amendments had a marginal impact on the grant due.

We have made one recommendation this year given the level of errors found and extra testing we performed. The recommendation is set out in section 4.

Fees for certification work are summarised in section 2. The indicative fees for 2013-14 are based on final 2011-12 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification have been removed, and the fees for certification of housing benefit subsidy claims have been reduced by 12 per cent. This is to reflect the removal of council tax benefit from the scheme.

We welcome the opportunity to discuss the contents of this report with you at the next Performance and Audit Scrutiny Committee.

Yours faithfully

Neil A Harris
Audit Director
For and behalf of Ernst & Young LLP
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Certification of claims and returns annual report 2013-14

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1. Summary of 2013-14 certification work

We certified one claim in 2013-14. Our main findings are shown below.

Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£ 16,744,907
Limited or full review	Full review
Amended	Amended - total subsidy claimed increased by £1,150 for errors identified during testing.
Qualification letter	Yes
Fee - 2013-14	£20,856
Fee - 2012-13	£21,020

Councils run the Government's housing benefits scheme for tenants. Councils responsible for the scheme 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 of twenty cases identifies errors in the calculation of benefit or compilation of the claim. We found errors in six areas. The Council carried out extended testing by isolating the population for the errors across non-HRA rent rebates and rent allowances and testing all relevant cases.

Summary of errors

Description of Cell	Nature of error
Cell 011: Non-HRA rent rebates - total expenditure	Claims relating to a different Authority
Cell 028: Non-HRA rent rebates - eligible overpayments	Incorrect classification of overpayments
Cell 094: Rent Allowance - total expenditure	Underpayment of benefit/incorrect cessation of Local Housing Allowance (LHA) protected rent Incorrect input of the claimant's household on the benefits system Incorrect calculation of income
Other issues - Employment agency cases	Incorrect calculation of weekly income

The Council amended the claim for the incorrect classification of non-HRA overpayments as 100% of cell 028 had been tested. The error in respect of the incorrect calculation of weekly income for employment agency cases will be corrected in the 2014-15 subsidy claim. We have reported underpayments, uncertainties and the extrapolated value of other errors in our Qualification Letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or claw back the benefit subsidy paid.

As the errors were found in November 2014, the Council may have made similar errors in the early part of the 2014-15 financial year. I have therefore recommended the need for early extended testing in these areas to identify the extent of similar errors that may have been made in 2014-15.

We also plan to perform some of our work on the 2014-15 claim earlier in the year to help alleviate workload pressures in November 2015.

2. 2013-14 certification fees

From 2012-13 the Audit Commission replaced the previous schedule of maximum hourly rates with a composite indicative fee for certification work for each body. The indicative fees for 2013-14 are based on actual certification fees for 2011-12, reflecting the amount of work required by the auditor to certify claims and returns in that year, adjusted to reflect the fact that a number of schemes would no longer require auditor certification. There was also a 40 per cent reduction in fees reflecting the outcome of the Audit Commission procurement for external audit services.

The 2013-14 fee for certification of housing benefit subsidy claims has been reduced from the indicative fee by a further 12% to reflect the removal of council tax benefit from the scheme.

Claim or return	2012-13	2013-14	2013-14
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	21,020	23,700	20,856
National non-domestic rates return	450	-	-
Total	21,470	23,700	20,856

2013-14 fees were comparable to those charged in 2012-13. The NNDR return no longer requires certification in 2013/14.

3. Looking forward

For 2014-15, the Audit Commission has calculated indicative certification fees based on the latest available information on actual certification fees for 2012-13, adjusted for any schemes that no longer require certification. From 2013-14 the NNDR return no longer requires certification.

The Council's indicative certification fee for 2014-15 is £18,270. The actual certification fee may be higher or lower than the indicative fee, if we need to undertake more or less work than in 2012-13 on individual claims or returns. Details of individual indicative fees are available at the following link:

[<http://www.audit-commission.gov.uk/audit-regime/audit-fees/201415-fees-and-work-programme/individual-certification-fees/>]

We must seek the agreement of the Audit Commission to any proposed variations to indicative certification fees. The Audit Commission expects variations from the indicative fee to occur only where issues arise that are significantly different from those identified and reflected in the 2012-13 fee.

DCLG and HM Treasury are working with grant-paying bodies to develop assurance arrangements for certifying claims and returns following the closure of the Commission (due April 2015).

The Audit Commission currently expects that auditors will continue to certify local authority claims for housing benefit subsidy from the Department for Work and Pensions (DWP) under the arrangements developed by the Commission. The DWP has asked the Commission to prepare the auditor guidance for 2014/15. Arrangements for 2015/16 onwards are to be confirmed, but DWP envisages that auditor certification will be needed until 2016/17, when Universal Credit is expected to replace housing benefit.

The Audit Commission has changed its instructions to allow appointed auditors to act as reporting accountants where the Commission has not made, or does not intend to make, certification arrangements. This removes the previous restriction saying that the appointed auditor cannot act if the Commission has declined to make arrangements.

4. Summary of recommendations

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

Recommendation	Priority	Agreed action and comment	Deadline	Responsible officer
Housing benefits subsidy claim	High	Agreed	29 May 2015	Paul Corney
Perform early extended testing in those areas where errors were identified in 2013-14, to ascertain the extent of similar errors arising in 2014-15.				

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