
Annual Certification Report 2013/14 Huntingdonshire District Council

*Government and
Public Sector – Annual
Certification Report to
those charged with
governance.*

February 2015



The Members of the Corporate Governance Panel

Huntingdonshire District Council
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13 February 2015

Annual Certification Report (2013/14)

We are pleased to present our Annual Certification Report which provides members of the Corporate Governance Panel with a high level overview of the results of the certification work we have undertaken at Huntingdonshire District Council for financial year ended 31 March 2014.

We have also summarised our fees for 2013/14 certification work on page 6.

Results of Certification Work

For the period ended 31 March 2014, we certified one claim and return worth a net total of £36,557,927. The claim was amended and also required a qualification letter to set out the matters arising from the certification findings. We have set out further details within the report.

We identified a number of matters relating to the Council's arrangements for the preparation of the relevant claim during the course of our work, some of which were minor in nature. The most important of these matters are brought to your attention in this report.

We ask the Corporate Governance Panel to consider the adequacy of the proposed management action plan to respond to the issues in 2013/14 as set out in Appendix A.

Yours faithfully,

PricewaterhouseCoopers LLP

Table of Contents

Introduction	4
Scope of Work	4
Statement of Responsibilities	4
Results of Certification Work	5
Claims and Returns certified	5
Certification Fees	6
Matters Arising	7
Appendix A	9
Management Action Plan: Current year issues (2013/14)	9
Glossary	10
Audit Commission Definitions for Certification work	10

Introduction

Scope of Work

Each year some grant-paying bodies may request certification, by an appropriately qualified auditor, of claims and financial returns submitted to them by local authorities. Certification arrangements are made by the Audit Commission under Section 28 of the Audit Commission Act 1998 and are one way for a grant-paying body to obtain assurance about an authority's entitlement to grant or subsidy or about information provided within a return.

Certification work is not an audit but a different type of assurance engagement which reaches a conclusion but does not express an opinion. This involves applying prescribed tests, as set out within Certification Instructions (CIs) issued to us by the Audit Commission; these are designed to provide reasonable assurance, for example, that claims and returns are fairly stated and in accordance with specified terms and conditions. The precise nature of work will vary according to the claim or return.

Our role is to act as 'agent' of the Audit Commission when undertaking certification work. We are required to carry out work and complete an auditor certificate in accordance with the arrangements and requirements set by the Audit Commission.

We also consider the results of certification work when performing other Code of Audit Practice work at the Council, including our conclusions on the financial statements and value for money.

International Standards on Auditing UK and Ireland (ISAs), the Auditing Practices Board's Practice Note 10 (Revised) and the Audit Commission's Code of Audit Practice do not apply to certification work.

Statement of Responsibilities

The Audit Commission publishes a 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns'. This is available from the Audit Commission website. It summarises the Commission's framework for making certification arrangements and highlights the different responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns.

Results of Certification Work

Claims and Returns certified

A summary of the claims and returns certified for financial year 1 April 2013 to 31 March 2014 is set out in the table below.

The Audit Commission require that all matters arising are either amended for (where appropriate) and/ or reported within a qualification letter, irrespective of value.

A qualification letter was required to set out matters arising from the certification of the claim. The claim was also amended in some respects following the certification work undertaken. The most important of these matters are summarised on page 7.

All deadlines for authority submission of the claims and returns were met. All deadlines for auditor certification were met.

Fee information for the claims and returns is summarised on page 6.

Summary:

CI Reference	Scheme Title	Form	Original Value	Final Value	Amendment	Qualification
BEN01	Housing Benefit Subsidy	MPF720A	£36,537,686	£36,557,927	Yes	Yes

The difference between the original and final values of the above claim was an increase in subsidy due to the Council amounting to £20,241. £205 of this amount related to errors identified during the certification. The remaining difference was due to manual adjustments identified by the Council prior to the commencement of the certification work.

Certification Fees

The fees for certification of each claim and return are set out below:

Claim/Return	2013/14 Indicative Fee *	2013/14 Variation	2013/14 Proposed Final Fee	2012/13 Billed Fee**	Comment
	£	£	£	£	
BEN01 Housing Benefit Subsidy	15,312	8,869	24,181	25,530	
BEN01 Council Tax Benefit Subsidy	-	-	-	2,088	Council Tax subsidy ceased in 2013/14 resulting in no requirement for auditor testing.
LAO1 National Non Domestic Rates	-	-	-	4,500	This scheme was removed from Audit Commission arrangements for 2013/14
Total	15,312	8,869	24,181	32,118	

These fees reflect the Council's current performance and arrangements for certification.

* Indicative fees may subsequently be updated for Audit Commission approved variations; for example where there was a change in the level of work required.

** The 2012/13 BEN01 fee was not formerly split by the Audit Commission between housing benefit and council tax benefit. We have provided an indicative split in the above table.

It may be possible to reduce fees in future should the Council improve its performance by reviewing the evidence to support claims and processing this information accurately in order to ensure that the correct benefits are awarded.

We will continue to seek ways in which we can improve the overall level of liaison with senior officers regarding the progress of certification work, time and issues.

Matters Arising

The most important matters we identified through our certification work are summarised below; further details can be found in Appendix A.

BEN01 Housing Benefit Subsidy Claim

Our testing identified a number of errors in relation to the Council's compliance with Housing and Benefit regulations. In a number of cases it was possible to quantify these errors and for the Council to make appropriate amendments to the claim form. However, we also reported a number of matters to DWP in a qualification letter where no amendment could be agreed which would be representative of the whole population.

In summary these matters related to:

Rent Rebates – Non HRA

- One case where earned income and child and working tax credit income had incorrectly not been applied for one period of the claim. The error resulted in an overpayment of £25.74.
- Five cases where the Council had incorrectly calculated the split of expenditure between cells 12 and 13 on the claim form. It has been identified that the errors occurred due to a system software issue that was not picked up by software providers, Northgate. The total misclassification amounts to £205.21. As the non-HRA rent rebates population is small, the Council reviewed all cases as part of the extension testing. Therefore, we were able to quantify the exact size of the error for amendment, and there was no requirement to report the matter to the DWP.

Rent Allowances

- One case was identified where the Council had incorrectly calculated earned income by applying a monthly calculation when it should have been four weekly. The impact of this error resulted in an overpayment of £203.97. A misclassification error was also caused between overpayment cells amounting to £12.75.

Additional testing identified a further:

- 1) One case where earned income had been incorrectly applied resulting in an underpayment of benefit (total error value £23.91);
 - 2) Four cases where earned income had been incorrectly applied resulting in overpaid benefit totalling £33.79; and
 - 3) One case where earned income had been incorrectly applied, however this resulted in a nil impact on the benefit awarded.
- One case where the Council had incorrectly entered the Local Housing Allowance (LHA) rate, which resulted in the misstatement of a claimant's rent liability. Underpayments totalling £2.32 arose due to the incorrect calculation of the LHA rate.
 - One case where the Employment and Support Allowance (ESA) work related component rate for a 2012/13 period had been incorrectly entered using the 2013/14 rate, resulting in an underpayment of £0.21. This was identified as a system error occurring from auto downloads of claimant ESA rates. Additional testing identified 11 further exceptions, which resulted in underpayments of benefit totalling £92.92.

As there is no eligibility to subsidy for benefit which has not been paid, no amendments have been made in respect of any of the underpayments identified. The underpayments were reported to the DWP in our qualification letter dated 27 November 2014.

Extension testing was performed by the Council in respect of each of the above matters. We are pleased to report that this testing was of good quality, and no issues arose from our re-performance of an element of this work.

Parameter checks

The Council uses standardised percentage increases to up-rate some incomes within the benefit system on an annual basis. As a result, we were unable to confirm that all incomes were up-rated to the amount specified in within the Audit Commission's Certification Instructions. During testing of individual claimants we agreed all applied applicable amounts with no exceptions noted. This is a recurring issue and included in the previous one year's qualification letter. The use of standardised percentage increases to up-rate some incomes is common practice amongst local authorities.

Entries to final subsidy reports

Paragraph 19 of the Certification Instructions requires that each section of the claim form (non-HRA rent rebates, rent rebates, rent allowances) agree to the final subsidy reports from the Council's benefits system, Northgate. Differences of £1 were identified in respect of each section. We have been informed by management that the difference is due to system rounding.

These errors types were not identified in the previous year, with the exception of the split of expenditure between cells 12 and 13 for non-HRA rent rebate cases and the parameter checks.

In the previous year we reported two errors in the calculation of manual adjustments made by the Council to the subsidy. There were no similar errors identified during the 2013/14 certification.

The potential quantified loss of subsidy to the Council as a result of our findings is an estimated net impact of £205.21. Our qualification letter also included a number of estimated/ extrapolated potential errors. None of these exceeded £8,000.

Appendix A

Management Action Plan: Current year issues (2013/14)

BEN01 Housing Benefit Subsidy Claim (deadline 30 November 2014)

Issue	Recommendation	Management response	Responsibility (Implementation date)
<p>Several errors were identified during our testing which related to the Council's manual assessment of claimant circumstances.</p> <p>One miscalculation was identified in the assessment of a claimant's rent liability. In addition, errors were also noted over the assessment of claimant income in five cases.</p> <p>One further error was noted where a claimant's earned income and child and working tax credits had been incorrectly not applied.</p> <p>Following the errors identified, we were required to report a number of matters to the DWP in a qualification letter.</p>	<p>As a result of the increase in the number of errors identified since the prior year, the Council should review the training offered to staff and ensure that the checks currently performed over benefit assessments are sufficient.</p>	<p>The Benefit Section currently undertakes monthly training/refresher sessions for assessment officers in order to ensure officers are kept up to date with the latest rules and procedures and that areas where issues have been identified are addressed in order to prevent any recurrence. Additionally, 10% of new claims and changes of circumstances are checked for accuracy and earnings cases are specifically identified within this checking regime. Having reviewed the checks currently in place and considering the high volumes of cases handled by assessors every year, it is considered the value of errors identified (£205.21) is not unreasonable.</p>	<p>Benefit Development & Support Team Manager March 2015</p>
<p>The Council's benefits system, Northgate, is unable to automate a few types of transaction. The Council is therefore required to manually amend the system to ensure that the correct benefit is awarded to claimants.</p> <p>Corresponding manual adjustments are also required to the subsidy claim report extracted from Northgate.</p> <p>Most Councils complete manual adjustment procedures prior to the submission of the final claim, which simplifies our certification work.</p>	<p>With due regard for the end of April claim submission deadline, we recommend that the Council put in place proportionate measures to limit the number of manual adjustments to the final claim.</p>	<p>Manual adjustments are checked by a senior officer before being entered onto the Northgate benefits system. This check not only validates the accuracy of the adjustment but also whether it is necessary, thus controlling the number of adjustments created. However, whilst every attempt is made to complete this work prior to the claim submission, this is not always possible due to the extremely tight deadlines.</p>	<p>Benefit Development & Support Team Manager March 2015</p>

Glossary

Audit Commission Definitions for Certification work

Abbreviations used in certification work are:

‘appointed auditor’ is the auditor appointed by the Audit Commission under section 3 of the Audit Commission Act 1998 to audit an authority’s accounts who, for the purpose of certifying claims and returns under section 28 of the Act, acts as an agent of the Commission. In this capacity, whilst qualified to act as an independent external auditor, the appointed auditor acts as a professional accountant undertaking an assurance engagement governed by the Commission’s certification instruction arrangements;

‘claims’ includes claims for grant or subsidies and for contractual payments due under agency agreements, co-financing schemes or otherwise;

‘assurance engagement’ is an engagement performed by a professional accountant in which a subject matter that is the responsibility of another party is evaluated or measured against identified suitable criteria, with the objective of expressing a conclusion that provides the intended user with reasonable assurance about that subject matter;

‘Commission’ refers to either the Audit Commission or the Grants Team of the Audit Policy and Regulation Directorate of the Commission which is responsible for making certification arrangements and for all liaison with grant-paying bodies and auditors on certification issues;

‘auditor’ is a person carrying out the detailed checking of claims and returns on behalf of the appointed auditor, in accordance with the Commission’s and appointed auditor’s scheme of delegation;

‘grant-paying bodies’ includes government departments, public authorities, directorates and related agencies, requiring authorities to complete claims and returns;

‘authorities’ means all bodies whose auditors are appointed under the Audit Commission Act 1998, which have requested the certification of claims and returns under section 28(1) of that Act;

‘returns’ are either:

- returns in respect of grant which do not constitute a claim, for example, statements of expenditure from which the grant-paying body may determine grant entitlement; or
- returns other than those in respect of grant, which must or may be certified by the appointed auditor, or under arrangements made by the Commission;

‘certification instructions’ (‘CIs’) are written instructions from the Commission to appointed auditors on the certification of claims and returns;

‘Statement’ is the *Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns*, available from www.audit-commission.gov.uk;

‘certify’ means the completion of the certificate on a claim or return by the appointed auditor in accordance with arrangements made by the Commission;

‘underlying records’ are the accounts, data and other working papers supporting entries on a claim or return.

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