
Annual Certification Report 2014/15 Huntingdonshire District Council

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

January 2016



The Members of the Corporate Governance Panel

Huntingdonshire District Council
Pathfinder House
St Marys House
Huntingdon
PE29 3TN

5 January 2016

Ladies and Gentleman

Annual Certification Report (2014/15)

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 Housing Benefit certification work we have undertaken at Huntingdonshire District Council for the financial year ended 31 March 2015.

Our work has been undertaken in accordance with our appointment by Public Sector Appointments Ltd (PSAA) as external auditor. The PSAA is the replacement body of the Audit Commission as at 1 April 2015 and from this date only the Housing Benefit Subsidy claim was subject to certification under this new arrangement. Independent reporting on any other grant claim or return fell outside of the PSAA arrangement and as such is not included within this report.

We ask the Corporate Governance Panel to consider:

- the results of Housing Benefit certification work; and
- the adequacy of progress made by the Council in implementing the prior year action plan in Appendix B.

Yours faithfully,

PricewaterhouseCoopers LLP

Table of Contents

Results of Certification Work	4
<hr/>	
BEN01 Housing Benefit Subsidy Claim for year ended 31 March 2015	4
a) Introduction	4
b) Summary information	4
c) Fee	5
d) Summary of matters arising	5
e) Prior year matters	6
<hr/>	
Appendix A	7
<hr/>	
Management Action Plan: Prior year issues (2013/14) – progress made	7
<hr/>	
Glossary	8
Scope of Work	8
Statement of Responsibilities	8
PSAA Definitions for Certification work	8

Results of Certification Work

BEN01 Housing Benefit Subsidy Claim for year ended 31 March 2015

a) Introduction

Local authorities responsible for administering housing benefit (HB) for tenants of a local authority and rent allowances for private tenants, claim subsidy from the Department for Work and Pensions (DWP) in accordance with section 140 of the Social Security Administration Act 1992 and the Income-related Benefits (Subsidy to Authorities) Order 1998, SI 562 as amended. With the exception of certain areas of benefit spending where authorities have the most scope to monitor and control costs, subsidy is paid at the full rate of 100 per cent. The final claim form (MPF720A) reflects the Authorities annual position for subsidy owed to / from DWP. DWP use the results of auditor certification on this claim form as part of their determination in the annual settlement or claw back with an Authority.

Public Sector Audit Appointments Ltd (previously known as the Audit Commisison) require that all matters arising are either amended for (where appropriate) or reported within a qualification letter which follows a prescribed format. The certification approach which is to be applied by auditors (acting as agent to PSAA) is defined by the PSAA and they have agreed guidance with the DWP.

The Council claim required amendments to the original claim form as submitted to the DWP in April 2015 in respect of six benefit cases. There were also four qualification letter matters. The most important of these matters are summarised in section d) below.

b) Summary information

CI Reference	Scheme Title	Form	Original Value	Final Value	Amendment	Qualification
BEN01	Housing Benefit Subsidy	MPF720A	£35,281,703	£35,317,772	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 £36,069. £7 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.

c) Fee

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

Claim/Return	2014/15 Indicative Fee *	2014/15 Variation **	2014/15 Proposed Final Fee**	2013/14 Billed Fee	Comment
	£	£	£	£	
BEN01 Housing Benefit Subsidy	£18,380	£4,983	£23,363	£24,181	The 2014/15 indicative fee is based upon the 2012/13 certification and the level of errors identified during that year. Two sets of extension testing were required in 2012/13. Eight sets of extension testing were required in both 2013/14 and 2014/15. The fee 2014/15 variation reflects the costs of this increased extension testing.

The fee reflects the Council's current performance and arrangements for Housing Benefit certification.

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

** Fee variations which are pending PSAA approval.

d) Summary of matters arising

The most important matters we identified through our Housing Benefit claim certification work are summarised below.

BEN01 Housing Benefit Subsidy Claim

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

In summary, the most significant matters reported to the DWP related to:

- *Rent allowances: Classification of overpayments*

Testing of the initial sample of 20 rent allowance cases identified one case (total value £2,298.30) where the Council had incorrectly classified expenditure between overpayment cells. The impact of the error was to overstate cell 114 eligible overpayments, and understate cell 113 LA error / administrative delay overpayments by £171.91. Testing of the additional sample of 40 cases from the sub-population of eligible overpayments identified no further cases where the Council had misclassified expenditure.

Our qualification letter included an extrapolated error with eligible overpayments being overstated and LA error / administrative delay overpayments understated by £5,150. Eligible overpayments attract subsidy at a rate of 40%; LA error / administrative delay overpayments are eligible for 100% subsidy

provided that the upper threshold for those overpayments is not exceeded. Therefore, the gain in subsidy for the Council in the DWP's final settlement was £3,090, being the remaining 60% of the value of the extrapolated overpayment.

We have not included a similar finding in our qualification letter in previous years.

- *Rent allowances: Calculation of earned income*

In the prior year, we reported that under and overpayments of benefit had been identified as a result of the Council's miscalculation of earned income within rent allowance cases. No similar errors were identified in our initial sample of 20 cases for 2014/15. In order to determine whether similar errors were present in the rent allowance population, we have performed additional testing of 40 cases with earned income calculations which identified:

- 1) Two cases where benefit had been underpaid as a result of the Council miscalculating the claimant's earned income;
- 2) Five cases where benefit had been overpaid as a result of the Council miscalculating the claimant's earned income; and
- 3) One further case where the Council miscalculated the Council's earned income, which had no impact on subsidy.

The total value of the overpayments was £44.43. The impact of the overpayment errors is to overstate detailed cells 099, 102 and 103 with a corresponding understatement of cell 113 (LA error / administrative delay overpayments). Our qualification letter included an estimated error extrapolation of £3,072 as a result of the overpayments identified.

As there is no eligibility to subsidy for benefit which has not been paid, the two underpayments identified do not affect subsidy and have not, therefore, been classified as an error for subsidy purposes.

A similar finding was included in our qualification letter for the previous two years.

The extended testing following our initial testing of benefit cases was performed this year by the Council in the respect of each of the above matters. We are pleased to report that this testing was of good quality. No issues arose from our reperformance of an element of this work.

The gain of subsidy to the Council as a result of all our findings is a net impact of £3,097. This reflects the final settlement details from DWP and includes the £7 difference in the final subsidy identified in section (a) above, and £3,090 resulting from the overpayment misclassification highlighted in section (d) above

e) Prior year matters

We have reviewed the progress made by the Council in implementing the certification action plan for 2013/14; details can be found in Appendix A. No new recommendations have arisen from our 2014/15 certification.

Appendix A

Management Action Plan: Prior year issues (2013/14) – progress made

BEN01 Housing Benefit Subsidy Claim (deadline 30 November 2014)

Issue	Prior year Recommendation	2013/14 Management response	Recommendation Status 2014/15
<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>We are pleased to note that the number of errors identified within the 2014/15 claim has reduced from 2013/14. As noted above, however, there were some instances where previous errors had also occurred in 2014/15, including in respect of earned income calculations. The Council should continue to focus on this area to help reduce the error rate.</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>Whilst we note the pressures on the benefits team around the submission deadline, in 2014/15 the Council continued to process manual adjustments subsequent to the end of April claim submission deadline.</p>

Glossary

Scope of Work

Each year the Department for Work and Pensions (DWP) requests certification by an appropriately qualified auditor, of the Housing Benefit subsidy claim as submitted to them by local authorities each April. Certification arrangements are made by the PSAA (transitional body for the Audit Commission from 1 April 2015) under Section 28 of the Audit Commission Act 1998 and allows for the DWP to obtain assurance about an authority's entitlement to Housing Benefit subsidy in respect of their administering of housing benefit (HB) for tenants of a local authority and rent allowances for private tenants.

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 HBCOUNT Modules and BENO1 Certification Instruction (CI) issued to us by the PSAA; these are designed to provide assurance, for example, that the Authority claim is fairly stated and in accordance with specified terms and conditions.

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

We also consider the results of certification work when performing other Code of Audit Practice work at the Authority, 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 PSAA's Code of Audit Practice do not apply to certification work.

Statement of Responsibilities

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

PSAA Definitions for Certification work

Abbreviations used in certification work are:-

'appointed auditor' is the auditor appointed by the PSAA (previously known as 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 PSAA 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;

‘HBCOUNT Modules’ are written instructions and a set of mandated tools from the Commission to appointed auditors on the certification of the Housing Benefit 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;

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

‘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 PSAA 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.

In the event that, pursuant to a request which Huntingdonshire District Council has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. Huntingdonshire District Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and Huntingdonshire District Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, Huntingdonshire District Council discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

This document has been prepared for the intended recipients only. To the extent permitted by law, PricewaterhouseCoopers LLP does not accept or assume any liability, responsibility or duty of care for any use of or reliance on this document by anyone, other than (i) the intended recipient to the extent agreed in the relevant contract for the matter to which this document relates (if any), or (ii) as expressly agreed by PricewaterhouseCoopers LLP at its sole discretion in writing in advance.

© 2016 PricewaterhouseCoopers LLP. All rights reserved. 'PricewaterhouseCoopers' refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.