

Certification of claims and returns annual report 2015-16

Huntingdonshire District Council

January 2017

Ernst & Young LLP



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Dear Members

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

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Huntingdonshire District 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 £35,367,949. We met the submission deadline and issued a qualification letter on 28 November 2016. The 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.

Fees for certification 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 Corporate Governance Committee.

Yours faithfully

A handwritten signature in dark ink, appearing to read 'Neil Harris', is written over a light grey rectangular background.

Neil Harris
Executive Director
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£35,367,949
Amended/Not amended	Amended – subsidy increased by £47,370
Qualification letter	Yes
Fee – 2015-16	£18,136
Fee – 2014-15	£18,380
Recommendations from 2014-15	Findings in 2015-16
None	<p>The main reason for the amendments to the value of claim presented for certification is the delay in determining required manual adjustments.</p> <p>We would recommend that manual adjustments are incorporated in the value of the claim presented for submission.</p>

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.

Extended and other testing identified errors which the Council amended. They had a small net impact on the claim. We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decides 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:

Rent Rebates

We qualified Rent Rebate expenditure as we found two cases from a total of 60 tested where assessors had incorrectly calculated the claimant's rental liability due to incorrect application of ineligible service charges. This had a negligible impact.

Rent Allowances

Overpayments are classified in terms of which person is deemed to have made the error or delay in notifying a change in a claimant's circumstance. The amount of Subsidy the Council received can be influenced by the classification of benefit overpayments.

We qualified the amount claimed for overpayments of rent allowance expenditure where the claimant was deemed to have made errors as we found

- 2 cases out of a total of 60 tested where officers had misclassified overpayments made due to claimant error as overpayments made due to the Council error; and

- 1 case where officers misclassified overpayment due to Council error as overpayment made due to claimant error.

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	18,136	18,136	** 23,363

* The 2014/15 audit was undertaken by PwC

** The 2014/15 certification fee includes a scale fee variation of £4,983

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.

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 £17,522. 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 Resources 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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