

Certification of claims and returns annual report 2015-16

South Cambridgeshire District Council

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Ernst & Young LLP



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Dear Members

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

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on South Cambridgeshire District Council's 2015-16 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 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 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.

In addition to this, the Council engaged us to act as reporting accountants in relation to a return outside PSAA's regime – pooling of housing capital receipts.

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 £27,855,369. We met the submission deadline and issued a qualification letter on 28 November 2016. 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.

We provided a separate report to the Council in relation to the pooling of housing capital receipts return with a total value of £483,654. No significant issues were identified as part of this work.

Fees for certification and other returns work are summarised in section 3. The housing benefits subsidy claim fees for 2015-16 were published by 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 Audit and Corporate Governance Committee.

We would like to take this opportunity to personally thank Dawn Graham the Council's Benefits Manager for her help this year. By demonstrating a high degree of flexibility and willingness to help throughout the process Dawn played a key role in not only ensuring this claim, but also that of a neighbouring authority were delivered on time.

Yours faithfully

Neil Harris
Executive Director
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£27,855,424
Amended/Not amended	Amended – subsidy reduced by £55
Qualification letter	Yes
Fee – 2015-16	£9,190
Fee – 2014-15	£18,390

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 of 20 cases 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 similar to previous years.

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 will then decide 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:

- We identified 1 case where neither we nor Council's officers were able to establish a complete and accurate audit trail and were therefore unable to conclude it was free from error.
- HRA rent rebates - Testing of the initial sample identified 2 cases where benefit had been underpaid due to old rent liability being applied to the current year. We determined in this instance that this error would always lead to an underpayment of benefit and did not therefore undertake further testing.
- Rent Allowance LA Error and admin delay overpayments – testing identified 1 case where an overpayment due to claimant error was misclassified as LA error. Testing of an additional 40 cases identified one further case with the same error. We reported an extrapolated error of £24,424 in our qualification letter.

The net impact on the claim arising from amendments agreed with officers was £55.

2. Other assurance work

During 2015-16 the Council engaged us to act as reporting accountants in relation to the Pooling of Housing Capital Receipts return. This work has been undertaken outside the PSAA regime.

We have provided a separate report to the Council in relation to this return. The fees for this are included in the figures in Section 3. They are referred to here to ensure to ensure Members have a full understanding of the various returns on which we provide some form of assurance.

We did not identify any significant issues from this work that need to be brought to the attention of Members.

3. 2015-16 certification fees

PSAA determine a scale fee each year for the audit of claims and returns.

Claim or return	2015-16 Actual fee £	2015-16 Indicative fee £	2014-15 Actual fee £
Certification			
Housing benefits subsidy claim	9,190	9,190	18,390
Other Assurance Work			
Pooling of Housing Capital Receipts Return	3,300	3,300	3,000

The indicative certification 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.

4. 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 £13,793. 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 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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