

Certification of claims and returns annual report 2015-16

North Hertfordshire District Council

January 2017

Ernst & Young LLP



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The Members of the Finance, Audit & Risk Committee
North Hertfordshire District Council
Council Offices
Gernon Road
Letchworth, SG6 3JF

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Dear Members

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

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on North Hertfordshire 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 £37,993,642. We met the extended submission deadline of 31 December. We issued a qualification letter on 20 December 2016. Details of the qualification matters are included in section 1. The authority identified some manual adjustments that were required to the claim. The amendments resulted in a marginal increase in the subsidy due of £3,223.

Fees for certification work are summarised in section 2. The housing benefits subsidy claim fees for 2015-16 were published by PSAA in March 2015 and are available on the PSAA's website (www.psa.co.uk).

We welcome the opportunity to discuss the contents of this report with you at the 23 January Finance, Audit & Risk Committee.

Yours faithfully

Debbie Hanson
Director
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£37,990,419
Amended	Officers identified manual adjustments that changed the overall claim figure to £37,993,642. This increased subsidy by £3,223
Qualification letter	Yes
Fee – 2015-16	£7,524
Fee – 2014-15	£7,530 (charged by Grant Thornton)

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 one area (income calculation for rent allowance benefit cases). There was no 40+ testing required in 2014-15.

These are the main issues found:

- ▶ Two cases where the claimant's income was miscalculated in the initial sample of 20 cases, in both cases the claimant was overpaid benefit. As a result of this finding more extensive checking of a 40+ sample was undertaken.
- ▶ Testing of the additional 40+ sample found:
 - ▶ Two cases where the claimants had been underpaid.
 - ▶ Two cases where the claimants' income was incorrectly recorded as monthly rather than 4 weekly, which resulted in benefit being overpaid.
 - ▶ A further case where the claimant's income had not been correctly included in the benefit calculation, resulting in an overpayment.

We have reported the underpayments, and the extrapolated value of the overpayments (£18,756) in a qualification letter. The DWP then decides whether to ask the Council to carry our further work to quantify the error or to claw back the benefit subsidy which has been overpaid.

2. 2015-16 certification fees

PSAA determine a scale fee each year for the audit of claims and returns. For 2015-16, these scale fees were published by the PSAA 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	7,524	7,524	7,530

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 £5,648. 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 and inform the Strategic Director of Finance, Policy and Governance. We are not proposing a variation to the 2015-16 indicative fee. Although additional 40+ testing was required the Council's staff undertook this and we then checked a sample. We concluded that the work was undertaken to a good standard and we were able to place reliance on it. Council staff also set out the in year transactions for the initial 20 cases which we tested. This minimised the cost to the Council.

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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