

# Certification of claims and returns annual report 2015-16

Tendring District Council

15 December 2016

Ernst & Young LLP



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15 December 2016

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Dear Members

## **Certification of claims and returns annual report 2015-16 Tendring District Council**

We are pleased to report on our certification work. This report summarises the results of our work on Tendring District Council's 2015-16 Housing Benefit Subsidy claim.

### **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 claim 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 £65 million. We met the submission deadline. We issued a qualification letter and we include the details 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 and other returns work are summarised in section 2. The Public Sector Audit Appointments Ltd (PSAA) published the housing benefits subsidy claim fees for 2015-16 in March 2015. The fees are now available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)).



We welcome the opportunity to discuss the contents of this report with you at the next Audit Committee in 2017.

Yours sincerely

Kevin Suter  
Executive Director  
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## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£65,600,782
Amended/Not amended	Amended – subsidy reduced by £1
Qualification letter	Yes
Fee – 2015-16	£13,110 (this represents the scale fee of £16,379 less £3,269 to reflect testing undertaken by the Council on our behalf)
Fee – 2014-15	£20,633 (which included £1,543 additional fee)
Recommendations from 2014-15	Findings in 2015-16
Perform early extended testing in those areas where errors were identified in 2014-15, to ascertain the extent of similar errors arising in 2015-16.	The Council implemented the recommendation from last year. However, we have found similar errors in some areas in November 2016. As these could continue into to 2016/17, we have recommended the need for early extended testing in these areas to identify the extent of similar errors that may have been made in 2016-17.

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 claims in previous years. The Council identified errors and carried out extended testing in a number of areas, for which we re-performed a sample of cases.

### Summary of errors: 2015/16

In undertaking initial testing of 20 cases across 2015/16 housing benefits for Non-HRA Rent Rebates, Rent Rebates, Rent Allowances and Modified Schemes, Council staff identified the following error:

Description of Cell	Nature of error
Cell 094: rent allowance – total expenditure	One case failed during the initial testing of rent allowances due to the incorrect rent amount used to calculate the benefit paid. We reported an extrapolation in the Qualification Letter.

### Follow up of errors found from certifying previous housing benefit subsidy claims

The following errors were discovered by Council staff in undertaking extended '40+' and '100%' testing from errors reported in 2012/13, 2013/14 and 2014/15.

Description of Cell	Nature of error
Cell 094: rent allowance – total expenditure	2 overpayment errors found due to the Council applying the incorrect uplift to the state retirement pension increase. We reported an extrapolation in the Qualification Letter.
Cell 094: rent allowance – total expenditure	One error found in respect of overpaid benefits due to the incorrect application of industrial disability benefits. We reported the impact in the Qualification Letter.
Cell 094: rent allowance – total expenditure	One error found in respect of overpaid benefits due to the incorrect application of war disablement pension. We reported the impact in the Qualification Letter.
Cell 225: modified schemes – rent allowance	One error in respect of overpaid benefits due to an incorrect start date of war disablement pension. We agreed an amendment to the claim with the Council as the sample was 100% complete. The error is related to war disablement error reported under Cell 094 and had a small net impact on the claim.
Other	
Audit trails for sub-populations.	<p>We reported that the Council has provided reports to enable extended 40+ and 100% testing of the sub-populations for all cases within rent allowance in receipt of state retirement pension, industrial injury disability benefit and war disablement pension.</p> <p>The Council has run the reports to generate these sub-populations on the 1st April 2016. However, if a claimant was in receipt of any of these three types of income prior to this date but was no longer receiving this type of income, on the day the report was run, then the case would not appear in the sub-population.</p> <p>The Authority has advised the only way to obtain a complete report for these sub-populations would be to run the income elements report every day and which is not considered feasible.</p> <p>We have therefore not amended for these errors, but reported the facts to the DWP.</p>

We have also reported one underpayment to the DWP in our qualification letter. We also highlighted that the original claim included a sum for Rental Income for 2015/16 excluding Affordable Rents. The amendment reduces the relevant Cell to £0 from a sum of £5 million as the Council considers all rents are affordable.

The DWP will now decide whether to ask the Council to carry our further work to quantify the extrapolation errors or to claw back the benefit subsidy paid.

As the errors were found in November 2016, the Council may have made similar errors in the early part of the 2016/17 financial year. We have therefore recommended the need for early extended testing in these areas to identify the extent of similar errors that may have been made in 2016/17.

## 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.psaa.co.uk](http://www.psaa.co.uk)).

Claim or return	2015-16	2015-16	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	***£13,110	£16,379	*£20,633

The indicative scale fee for 2015/16 is based on the final fee of £21,839 for 2013/14. The sum of £16,379 reflects the 25% reduction arising from the outcome of the Audit Commission's tendering exercise in March 2014.

Our proposed final fee for 2015/16 is £13,110. This sum represents the scale fee of £16,379 less £3,269. The reduction in the certification fee recognises that Council staff have undertaken initial testing on our behalf. We have discussed the fee with officers. The final fee is subject to review by Public Sector Auditor Appointments Ltd. who will determine the final scale fee.

### 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 £15,475. 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 Head of Finance, Revenues and Benefits before seeking any such variation. We envisage a reduction in the fee on the basis that Council staff continue to undertake initial testing on our behalf.

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.



## 4. Summary of recommendations

This section highlights the recommendations from our work and the actions agreed.

Recommendation	Priority	Agreed action and comment	Deadline	Responsible officer
<b>Housing benefits subsidy claim</b>  Perform early extended testing in those areas where errors were identified in 2015-16, to ascertain the extent of similar errors arising in 2016-17.	High	Agreed	31 August 2017	Richard Barrett – Head of Finance, Revenues and Benefits

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