

Certification of claims and returns annual report 2016-17

Tendring District Council

December 2017

Ernst & Young LLP



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14 December 2017

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Dear Members

Certification of claims and returns annual report 2016-17 Tendring District Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Tendring District Council's 2016-17 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 2016-17, 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 (DWP) and did not undertake an audit of the claim.

Summary

Section 1 of this report outlines the results of our 2016/17 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £61.3 million. We met the submission deadline. Although the errors appear small, in accordance with DWP guidance, we report the impact of these within a qualification letter to the DWP and we include the details in section 1. Our work found errors which the Council corrected. The Council identified a significant over claim of housing subsidy of £400,000 through its own processes in compiling the 2016/17 financial statements. The amendments arising from the errors found on housing benefits themselves had a marginal effect on the amount payable to the Council.

Fees for certification and other returns work are summarised in section 2. The housing benefits subsidy claim fees for 2016/17 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2016 and are now available on the PSAA's website (www.psa.co.uk).



The level of testing this year has largely remained the same compared with both 2014/15 and 2015/16. Therefore, as in 2015/16 we have been able to offer the Council an overall reduction in certification fees to recognise that Council staff have undertaken initial testing on our behalf, which did not occur in 2014/15. Details are included in section 1 of the report.

We have made one recommendation this year as set out in section 4.

We welcome the opportunity to discuss the contents of this report with you at the 25 January 2018 Audit Committee.

Yours faithfully

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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£ 61,737,996
Amended/Not amended	Amended – subsidy reduced by £400,430 to £61,337,566 including an over claim of subsidy of £400,000 found by the Council's own processes in compiling the 2016/17 financial statements.
Qualification letter	Yes. Although the errors appear small, in accordance with DWP guidance, we report the impact of these within a qualification letter to the DWP.
Fee – 2016-17	£12,380 subject to PSAA Ltd. Agreement.
Fee – 2015-16	£13,110
Recommendations from 2015-16	Findings in 2016-17
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.	<p>The Council implemented the recommendation from last year.</p> <p>In 2015/16, in order to reduce errors on war pensions on Modified Schemes and Rent Allowance War Disablement Pensions, the Council Access limited access for amending these benefits to two members of staff. This year the Council found no errors in these benefit types.</p> <p>We are therefore recommending the Council continue to undertake early testing on Industrial Benefit Disability payments and Rent Allowance State Retirement Pension where errors continue to be likely.</p> <p>Further details of these findings are included in section 4.</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 claims in previous years.

In 2016/17, the Council identified errors and carried out extended testing in several areas, for which we re-performed a sample of cases.

Extended and other testing identified errors for which the Council amended. The errors had a small net impact on the claim. We have also reported in our Qualification Letter underpayments and uncertainties as well as the extrapolated value of other errors in a qualification letter.

In respect of our Qualification Letter, the DWP will decide whether to ask the Council to carry our further work to quantify errors or to claw back the benefit subsidy paid.

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

We report the results of the initial and extended ‘40+’ and ‘100%’ testing from errors reported in our previous certification work.

Description of Cell	Nature of error
Cell 094: rent allowance – total expenditure	The Council found no errors in respect of applying the incorrect uplift to the state retirement pension increase in both initial and extended 40+ testing. However, this is an area with consistent errors arising in previous years and therefore we propose to request extra 40+ testing in 2017/18 in this area.
Cell 094: rent allowance – total expenditure	The Council found two errors from testing 58 cases in respect of the incorrect application of industrial disability benefits. One error resulted in no impact for the claim while the second error identified an overpayment of housing benefit awarded. We reported the impact in the Qualification Letter.
Cell 094: rent allowance – total expenditure	The Council did not identify any errors in respect of overpaid benefits due to the incorrect application of war disablement pension.
Cell 225: modified schemes – rent allowance	The Council did not identify any errors in respect of overpaid benefits due to an incorrect start date of war disablement pension.

We are therefore recommending the Council continue to undertake early testing on Industrial Benefit Disability payments and Rent Allowance State Retirement Pension where errors continue to be likely.

New Errors arising from the certification of the 2016/17 housing benefit subsidy claim

Description of Cell	Nature of error
Cell 011: Non-HRA rent rebates – total expenditure	Initial testing of 20 Non-HRA Rent Rebate cases identified two errors whereby the Council had: <ul style="list-style-type: none"> · Recorded pension as tax; and · Calculated earned income was correctly but not recorded the earned income into the claim form. <p>Further testing of 100% of cases identified with earned income no errors from the four cases tested.</p> <p>The Council amended the 2016/17 claim form for the errors found.</p>
Cell 011: Non-HRA rent rebates – total expenditure	Initial testing of 20 Non-HRA Rent Rebate cases identified one error whereby the Council had: <ul style="list-style-type: none"> · Recorded an Employment and Support Allowance (ESA) (Income Related) case as an ESA (Contribution based) case. <p>There was no impact on subsidy from this case, but as an overpayment could have arisen if there had been other sources of income, the Council undertook further testing.</p> <p>Of the 49 ESA cases identified, The Council found a similar error with no impact for subsidy.</p>

Description of Cell	Nature of error
Cell 094: Rent Allowances	<p>Initial testing of 20 Rent Allowance cases identified two errors whereby the Council had not deducted the pension from earned income.</p> <p>As this would always lead to an underpayment of housing benefit we reported the errors within our Qualification Letter but no further testing was required.</p>

For the 2017/18 claim we are viewing these errors as isolated incidents given that extended testing did not reveal any further errors that would have an impact on subsidy.

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 and industrial injury disability benefit.</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 any errors arising from extended testing on these benefits, but reported the facts to the DWP.</p>
Cell 094 and Cell 103: Difference of £455	<p>To ensure that the correct subsidy is claimed, the Claim form contains a check whereby the Headline Cell for the benefit must equal the in-year subsidy being claimed.</p> <p>For Rent Allowances there is a difference of £455. Northgate, as the supplier of the benefit software, has identified that the net error relates to the recalculation of subsidy on claims dating from 1999. The benefits system has incorrectly calculated an extra benefit payment in the headline cell that does not have a related detail cell.</p> <p>The Council has decided that it is not cost effective to investigate the errors further with the Northgate supplier and are therefore not claiming the amount back.</p> <p>Therefore, the Council has manually adjusted the claim by reducing the Headline Cell 094 by £455, The Council has therefore not claimed this amount back from the DWP.</p> <p>We have reported this matter within our Qualification Letter.</p>

Other

Cell 220: Rental Income for 2016/17 excluding affordable rents:
£13,691,314

We also highlighted that, as in previous years, the original claim included a sum of £0 for Rental Income for 2015/16 excluding Affordable Rents.

The council amended the final 2016/17 claim to record a sum of £13,691,314 at Cell 220.

This is because the Council now considers that that the Cell requires disclosure of the Council's social rental income.

The sum does not impact on subsidy claimed by the Council. However, we have drawn the amendment to the attention of the DWP in our Qualification Letter given the sum involved.

2. 2016-17 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2016-17, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) in March 2016 and are now available on the PSAA's website (www.psa.co.uk).

Claim or return	2016-17	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	£12,380	15,475	13,110

The indicative scale fee for 2016/17 of £15,475 is based on the final fee of £20,633 for 2014/15. The sum of £15,475 reflects the 25% reduction arising from the outcome of the Audit Commission's tendering exercise in March 2014.

Our proposed final fee for 2016/17 is £12,380. This sum represents the scale fee of £15,475 less 20% being £3,095 to reflect the initial testing undertaken by the Council on our behalf with the final fee being £12,380.

We have discussed and agreed the overall fee reduction and final fee with the Head of Finance, Revenues and Benefits.

The final fee is subject to agreement by Public Sector Auditor Appointments Ltd.

3. Looking forward

2017/18

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 2017/18 is £13,110. This was set by PSAA and is based on final 2015/16 certification fees.

Details of individual indicative fees are available at the following web address:

<https://www.psa.co.uk/audit-fees/201718-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.

2018/19

From 2018/19, the Council will be responsible for appointing their own reporting accountant to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process (HBAP) requirements that are being established by the DWP. DWP's HBAP guidance is under consultation and is expected to be published around January 2018.

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
Housing benefits subsidy claim Perform early extended testing in those areas where errors were identified in 2016-17, to ascertain the extent of similar errors arising in 2017-18.	High	Agreed	31 July 2018	Richard Barrett – Head of Finance, Revenues and Benefits

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