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# *Annual Certification Report 2013/14 Peterborough City Council*

*Government and  
Public Sector – Annual  
Certification Report to  
those charged with  
governance.*

*20 January 2015*



## **The Members of the Audit Committee**

Peterborough City Council  
Town Hall  
Bridge Street  
PETERBOROUGH  
PE1 1HG

20 January 2015

## **Annual Certification Report 2013/14**

We are pleased to present our Annual Certification Report which provides members of the Audit Committee with a high level overview of the results of the certification work we have undertaken at Peterborough City Council for financial year ended 31 March 2014.

We have also summarised our fees for 2013/14 certification work on page 6.

## **Results of Certification Work**

For the period ended 31 March 2014, we certified one claim worth a net total of £74,070,956. The claim was amended and required a qualification letter to set out the matters arising from the certification findings. We have set out further details within the report.

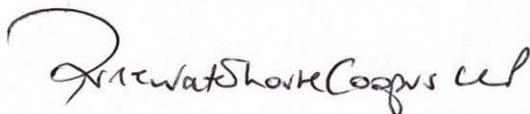
We identified a number of matters relating to the Authority's arrangements for the preparation of the claim during the course of our work, some of which were minor in nature. The most important of these matters are brought to your attention in this report.

We ask the Audit Committee to consider:

- The adequacy of the proposed management action plan for 2013/14 set out in Appendix A; and
- The adequacy of progress made by the Authority in implementing the prior year action plan in Appendix B.

In the future, with the changes to the Audit Commission structure, we anticipate that the Housing Benefit Subsidy claim will continue to be the only claim at the Authority subject to certification under the existing regime. All other requests for auditor assurance work for claims and returns will operate outside of these engagement arrangements.

Yours faithfully,



PricewaterhouseCoopers LLP

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# *Introduction*

## *Scope of Work*

Each year some grant-paying bodies may request certification, by an appropriately qualified auditor, of claims and financial returns submitted to them by local authorities. Certification arrangements are made by the Audit Commission under Section 28 of the Audit Commission Act 1998 and are one way for a grant-paying body to obtain assurance about an authority's entitlement to grant or subsidy or about information provided within a return.

Certification work is not an audit but a different type of assurance engagement which reaches a conclusion but does not express an opinion. This involves applying prescribed tests, as set out within Certification Instructions (CIs) issued to us by the Audit Commission; these are designed to provide reasonable assurance, for example, that claims and returns are fairly stated and in accordance with specified terms and conditions. The precise nature of work will vary according to the claim or return.

Our role is to act as 'agent' of the Audit Commission when undertaking certification work. We are required to carry out work and complete an auditor certificate in accordance with the arrangements and requirements set by the Audit Commission.

We also consider the results of certification work when performing other Code of Audit Practice work at the Authority, including our conclusions on the financial statements and value for money.

International Standards on Auditing UK and Ireland (ISAs), the Auditing Practices Board's Practice Note 10 (Revised) and the Audit Commission's Code of Audit Practice do not apply to certification work.

## *Statement of Responsibilities*

The Audit Commission publishes a 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns'. This is available from the Audit Commission website. It summarises the Commission's framework for making certification arrangements and highlights the different responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns.

# Results of Certification Work

## Claims and Returns certified

A summary of the claims certified for financial year 1 April 2013 to 31 March 2014 is set out in the table below.

The Audit Commission requires that all matters arising are either amended for (where appropriate), and/ or reported within a qualification letter.

A qualification letter was required to set out matters arising from the certification of the claim. In addition, the claim was amended in some respects following the certification work undertaken. The most important of these matters are summarised on page 7.

All deadlines for authority submission of the claim were met. All deadlines for auditor certification were met.

Fee information for the claims and returns is summarised on page 6.

## Summary:

<b>CI Reference</b>	<b>Scheme Title</b>	<b>Form</b>	<b>Original Value</b>	<b>Final Value</b>	<b>Amendment</b>	<b>Qualification</b>
BEN01	Housing Benefit Subsidy	MPF720A	£74,070,956	£74,067,330	Yes	Yes

# Certification Fees

The fees for certification of each claim and return are set out below:

Claim/Return	2013/14 Indicative Fee *	2013/14 Variation**	2013/14 Proposed Final Fee**	2012/13 Billed Fee	Comment
	£	£	£	£	
BEN01 Housing Benefit Subsidy	14,007	4,152	18,159	21,299	2012/13 claim included Council Tax Benefit entries.
<b>Total</b>	<b>14,007</b>	<b>4,152</b>	<b>18,159</b>	<b>21,299</b>	

These fees reflect the Council's current performance and arrangements for certification.

\* Indicative fees may subsequently be updated for Audit Commission approved variations; for example where there was a change in the level of work required.

\*\* Fee variations which are pending Audit Commission approval.

# Matters Arising

The most important matters we identified through our certification work are summarised below; further details can be found in Appendix A.

## *BENo1 Housing Benefit Subsidy Claim*

Our testing identified a number of errors in relation to the Authority's compliance with Housing Benefit regulations. In a number of cases it was possible to quantify these errors and make appropriate amendments to the claim form. However, we also reported a number of matters to DWP in a qualification letter where no amendment could be agreed which would be representative of the whole population.

In summary these matters related to:

### **Rent Rebates – Non-HRA**

- We identified four cases in our initial testing where the Authority had misclassified an overpayment as eligible, which receives subsidy at 40%, rather than technical, which receives nil subsidy. The results of extension testing in this area, which followed our initial testing, identified a further 55 cases, (out of a total of 61), for which there had been a similar misclassification. One amendment amounting to £8,712.83 was made to correct these misclassifications. As such, no reporting to the DWP was required in respect of this matter.
- As a result of errors identified in 2012/13, extension testing was performed on the classification of expenditure on the claim form between expenditure up to the applicable Local Housing Allowance rate, which receives subsidy at 100%, and expenditure above the rate, which receives nil subsidy. Errors totalling £202.40 were identified and related to three out of 40 cases tested.

In respect of the above misclassifications, given the nature of the population and the variation in the errors found, it is unlikely that even significant additional work would have resulted in an amendment that would have allowed us to conclude that the claim form is fairly stated. Therefore the total misclassification was extrapolated and reported in our qualification letter.

The above types of error have been identified by us during testing of prior year claims.

### **Rent Allowances**

- For one case in initial testing, the Authority had assessed the claimant as being in receipt of Jobseeker's Allowance (Income Based). However, no supporting evidence was available to confirm this and this has therefore resulted in an overpayment of £127.34. No similar errors were identified in extension testing.

In respect of the overpayment, given the nature of the population and the inability of the Authority's benefits system to provide a population for testing which consists only of claims whereby the claimant is in receipt of Jobseeker's Allowance (Income Based), it is unlikely that even significant additional work would have resulted in an amendment that would have allowed us to conclude that the claim form is fairly stated. The total overpayment was extrapolated and reported in our qualification letter.

- For five cases in initial testing, the miscalculation, or application of the annual uprating from the incorrect date, of claimants' war pension income resulted in expenditure being misclassified between Rent Allowances and Modified Schemes. Eligible Rent Allowance expenditure receives subsidy at 100% compared to 75% for Modified Schemes. The extension testing, which followed from our initial testing, identified a further 8 cases out of a total of 26, where there had been a similar misclassification. An amendment to the claim form amounting to £565.97 from Rent Allowances to Modified Schemes was made to correct for the net impact of these errors. As such no reporting to the DWP was required in respect of this matter.

The miscalculation of war pension income has been identified by us during testing of prior year claims.

In addition to the extension testing performed on the above matters, the Authority undertook extension testing to address two matters raised in the prior year. No errors were identified from testing in the current year in relation to these two matters.

Aside from the testing of the classification of Non-HRA overpayments, we are pleased to report that the Authority's extension testing was of a good quality. In relation to Non-HRA overpayments, our review of the Authority's testing identified that the Authority only recorded one case (out of 61) as containing an error whereas our review of the work identified 55 errors. Accordingly, we have raised a recommendation for management action at Appendix A.

A correction to the subsidy claim as a result of our findings has resulted in a net reduction of subsidy due of £4,112. The Authority has provided us with copies of correspondence from the DWP confirming this figure.

### *Prior year recommendations*

We have reviewed the progress made by the Authority in implementing the certification action plan that was agreed in response to our findings in 2012/13; details can be found in Appendix B.

# Appendix A - Management Action Plan: Current year issues (2013/14)

## *BEN01 Housing Benefit Subsidy Claim (deadline 30 November 2014)*

Issue	Recommendation	Management response	Responsibility (Implementation date)
<p>Testing of the classification of Non-HRA Rent Rebate overpayments due to a reduction or cessation in rental liability identified the following:</p> <ul style="list-style-type: none"> <li>• 4 cases from initial testing had been misclassified as eligible overpayments, which receive subsidy at 40%, rather than technical overpayments, which receive nil subsidy; and</li> <li>• 55 cases, (out of 61), within the extension testing of eligible overpayments should have been classified as technical overpayments.</li> </ul> <p>The rate of error within this small sub-population of extension testing cases is high and demonstrates a gap in the understanding of benefit assessors in respect of the classification of overpayments.</p>	<p>The Authority should review the training and guidance offered to assessors in respect of the classification of overpayments due to a reduction or cessation in rental liability in Non-HRA cases. In addition, consideration should be given to ensuring that the validation procedures in this area are adequate.</p> <p>In accordance with the Certification Instructions, and as a result of the errors identified in the 2013/14 certification, we anticipate that we will be required to perform testing of cases impacting the 2014/15 claim that include Non-HRA eligible overpayments. The Authority should therefore satisfy itself that classification impacting the subsidy in this area is accurate.</p>	<p>The majority of overpayments in this cell come from homeless accommodation and are processed by one officer, (the calculated amount was correct, but the classification was not).</p> <p>a) Following the 13/14 audit completion a full review of all cases within the 14/15 claim was undertaken to correct any errors in the subsequent year.</p> <p>b) Once this had been done specific training was given to the officer concerned to reduce the risk of further error ongoing.</p> <p>c) A further 100% check will be undertaken on this cell prior to the 14/15 submission.</p>	<p><b>Owner:</b> Shared Services</p> <p><b>Implementation Date:</b></p> <p>a) 27 November 2014</p> <p>b) 27 November 2014</p> <p>c) 5 April 2015</p>

# Appendix B - Management Action Plan: Prior year issues (2012/13)

## BEN01 Housing Benefit Subsidy Claim (deadline 30 November 2013)

Issue	Prior year Recommendation	2012/13 Management response	Recommendation Status 2013/14	2013/14 Management response
<p>Errors were identified including:</p> <ul style="list-style-type: none"> <li>Expenditure misclassification;</li> <li>Data input incorrectly into the calculation of benefit resulting in under / overpayment of benefit.</li> </ul> <p>Similar issues were raised in prior years' Annual Certification Reports.</p>	<p>We recommend that the Authority considers why the errors identified in our testing occurred on a case-by-case basis and implement corrective measures as appropriate.</p>	<p><b>Accepted</b></p> <p><b>Action:</b> Some errors were specific to certain officers and others were general errors. With regards to specific errors training has been undertaken to ensure these problems do not occur again. To reduce the risk of other errors occurring there is an ongoing 10% quality control check of all assessments undertaken. Errors found are fed back to both the officer concerned and their team leader and a course of action agreed upon.</p> <p>In November 2013, a new software package has been implemented to allow better management reporting of errors to identify areas that may require further training and/or guidance. Overpayment classification has already been identified as a general area requiring further training, and this training has been undertaken with all benefits staff in January 2014.</p> <p><b>Owner:</b> Shared Transactional Services.</p> <p><b>Timescale:</b> Implemented.</p>	<p>Several manual calculation and classification errors were identified during the 2013/14 certification, as described in the 'matters arising' section. The number of error types was consistent year on year. As errors have again been identified, especially regarding expenditure misclassification, we have raised a similar recommendation focussing on areas for improvement.</p> <p><b>Action partially complete.</b></p>	<p>There were two separate errors in this area in 2013/14.</p> <p><u>a) JSA error</u></p> <p>The first relates to a claim incorrectly processed as JSA(IB) when it was a standard type. This was caused by human error and is likely to be a single occurrence of such an error – additional testing found no further errors. No further action is required here.</p> <p><u>b) War widows upratings</u></p> <p>Uprating errors in 2013/14 contributed to only £16.35 of the stated £565.97 error (at 25% difference in subsidy rates, this equates to £4.09 subsidy). The majority of the errors were where the amounts used in 2013/14 following uprating were incorrect because the previous amount used was incorrect ie an error had occurred on the claim at some point in the past (the oldest example being an error made in May 2008). As all current cases were reviewed for this audit future issues relating to historical errors should not occur again. Upratings in relation to April 2014 will be 100% checked prior to the 14/15 subsidy claim submission.</p> <p><b>Timescale:</b> 5 April 2015</p>

# Glossary

## Audit Commission Definitions for Certification work

### Abbreviations used in certification work are:

**‘appointed auditor’** is the auditor appointed by the Audit Commission under section 3 of the Audit Commission Act 1998 to audit an authority’s accounts who, for the purpose of certifying claims and returns under section 28 of the Act, acts as an agent of the Commission. In this capacity, whilst qualified to act as an independent external auditor, the appointed auditor acts as a professional accountant undertaking an assurance engagement governed by the Commission’s certification instruction arrangements;

**‘claims’** includes claims for grant or subsidies and for contractual payments due under agency agreements, co-financing schemes or otherwise;

**‘assurance engagement’** is an engagement performed by a professional accountant in which a subject matter that is the responsibility of another party is evaluated or measured against identified suitable criteria, with the objective of expressing a conclusion that provides the intended user with reasonable assurance about that subject matter;

**‘Commission’** refers to either the Audit Commission or the Grants Team of the Audit Policy and Regulation Directorate of the Commission which is responsible for making certification arrangements and for all liaison with grant-paying bodies and auditors on certification issues;

**‘auditor’** is a person carrying out the detailed checking of claims and returns on behalf of the appointed auditor, in accordance with the Commission’s and appointed auditor’s scheme of delegation;

**‘grant-paying bodies’** includes government departments, public authorities, directorates and related agencies, requiring authorities to complete claims and returns;

**‘authorities’** means all bodies whose auditors are appointed under the Audit Commission Act 1998, which have requested the certification of claims and returns under section 28(1) of that Act;

**‘returns’** are either:

- returns in respect of grant which do not constitute a claim, for example, statements of expenditure from which the grant-paying body may determine grant entitlement; or
- returns other than those in respect of grant, which must or may be certified by the appointed auditor, or under arrangements made by the Commission;

**‘certification instructions’** (‘CIs’) are written instructions from the Commission to appointed auditors on the certification of claims and returns;

**‘Statement’** is the *Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns*, available from [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk);

**‘certify’** means the completion of the certificate on a claim or return by the appointed auditor in accordance with arrangements made by the Commission;

**‘underlying records’** are the accounts, data and other working papers supporting entries on a claim or return.

In April 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and of audited bodies'. It is available from the Chief Executive of each audited body. The purpose of the statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and management letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

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