
Annual Certification Report 2014/15 Peterborough City Council

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

January 2016



The Members of the Audit Committee

Peterborough City Council
Town Hall
Bridge Street
Peterborough
PE1 1HG

06 January 2016

Ladies and Gentlemen,

Annual Certification Report (2014/15)

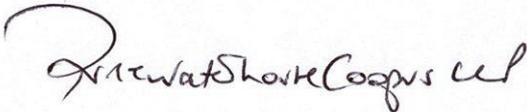
We are pleased to present our Annual Certification Report which provides members of the Audit Committee with a high level overview of the results of the Housing Benefit certification work we have undertaken at Peterborough City Council for the financial year ended 31 March 2015.

Our work has been undertaken in accordance with our appointment by Public Sector Audit Appointments Ltd (PSAA) as external auditor. The PSAA is the replacement body of the Audit Commission as at 1 April 2015 and from this date only the Housing Benefit Subsidy claim was subject to certification under this new arrangement. For independent reporting on any other grant claim or return this fell outside of the PSAA arrangement and as such is not included within this report.

We ask the Audit Committee to consider:

- the results of Housing Benefit certification work;
- the adequacy of the proposed management action plan for 2014/15 set out in Appendix A; and
- the adequacy of progress made by the Authority in implementing the prior year action plan in Appendix B.

Yours faithfully,



PricewaterhouseCoopers LLP

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Results of Certification Work

BEN01 Housing Benefit Subsidy Claim for year ended 31 March 2015

a) Introduction

Local authorities responsible for administering housing benefit (HB) for tenants of a local authority and rent allowances for private tenants, claim subsidy from the Department for Work and Pensions (DWP) in accordance with section 140 of the Social Security Administration Act 1992 and the Income-related Benefits (Subsidy to Authorities) Order 1998, SI 562 as amended. With the exception of certain areas of benefit spending where authorities have the most scope to monitor and control costs, subsidy is paid at the full rate of 100 per cent. The final claim form (MPF720A) reflects an authority's annual position for subsidy owed to / from DWP. DWP use the results of auditor certification on this claim form as part of their determination in the annual settlement or claw back with an authority.

Public Sector Audit Appointments Ltd (previously known as the Audit Commisison) requires that all matters arising are either amended for (where appropriate) or reported within a qualification letter which follows a prescribed format. The certification approach which is to be applied by auditors (acting as agent to the PSAA) is defined by the PSAA and they have agreed guidance with the DWP. There is no materiality applied in our certification work.

Issues identified this year were relatively minor given the complexity of the BEN01 claim. These issues resulted in six amendments to the original claim form as submitted to the DWP in April 2015 and five qualification letter matters. These matters were all set out in our qualification letter to the DWP.

b) Summary information

CI Reference	Scheme Title	Form	Original Value	Final Value	Amendment	Qualification
BEN01	Housing Benefit Subsidy	MPF720A	£73,572,009	£73,572,041	Yes	Yes

c) Fee

Claim/Return	2014/15 Indicative Fee	2014/15 Variation	2014/15 Proposed Final Fee	2013/14 Billed Fee	Comment
	£	£	£	£	
BEN01 Housing Benefit Subsidy	£18,740	Nil	£18,740	£18,159	No variation has been made to the PSAA's 2014/15 indicative fee

The fee reflects the Council's current performance and arrangements for Housing Benefit certification.

d) Summary of matters arising

Issues identified this year were relatively minor given the complexity of the BENO1 claim and we noted that although a small number of errors were identified in the 14/15 testing of Rent Rebates (Non-HRA) cases there was a significant improvement year on year. However, it is possible that should the issues identified this year not be addressed, there may be an impact on subsidy in future years. Details of these issues and of the matters giving rise to our qualification of the BENO1 claim are set out in Appendix A.

e) Prior year matters

We have reviewed the progress made by the Authority in implementing the certification action plan for 2013/14; details can be found in Appendix B.

Appendix A

Management Action Plan: Current year issues (2014/15)

BEN01 Housing Benefit Subsidy Claim (deadline 30 November 2015)

Issue (please note there is no level of materiality applied when reporting issues found)	Recommendation	Management response	Responsibility (Implementation date)
Rent Rebates (Non-HRA) Cases			
<p>Our initial testing identified one instance of an assessor incorrectly calculating the split between expenditure up to the applicable Local Housing Allowance rate (cell 012) which receives subsidy at 100%, and expenditure above the rate (cell 013), which receives nil subsidy. Additional testing of 40 cases identified four further instances of an incorrect split. The total impact was that cell 012 was overstated by £378.15 and cell 013 correspondingly understated.</p>	<p>The issues noted were minor in the context of the complexity of the BEN01 claim. We recommend that the Authority continues its programme of training officers regularly, to minimise the possibility that errors occur in future.</p>	<p>With regards to the errors in cell 12/13, since 01/04/15 we have had a secondary senior systems officer checking all cases where amendments are made as a result of manually allocating subsidy between cells 12 and 13. This was not implemented in time for this (14/15) audit, but this will help minimise, and hopefully remove, any further errors due to manual adjustments in this cell from 15/16 onwards. In addition to this, further subsidy training was provided to both officers on 10th November to further their knowledge of this type of subsidy (specifically homeless subsidy).</p>	<p>Jess Cox (Benefit Manager) Already implemented</p>
<p>While performing initial testing an error was noted where earned income was incorrectly calculated resulting in an underpayment of benefit of £0.02. During extension testing of 40 cases no further errors were identified.</p>			
<p>One instance (out of a total of seven cases) where the Authority had misclassified an overpayment as eligible, which receives subsidy at 40%, rather than technical, which receives nil subsidy. One amendment amounting to £0.33 was made to correct these misclassifications. As such, no reporting to the DWP was</p>			

required.			
Rent Allowances Cases			
As part of our initial testing an issue was noted in three cases where the incorrect start date was applied for the receipt of Income Support. In two cases this resulted in eligible expenditure which receives subsidy at 100% being classified as an eligible overpayment, which receives subsidy at 40%. The total value of the misclassification was £162.98. In one further case benefit had been underpaid to the claimant by £15.99 as a result. During extension testing of 40 cases no further errors were identified.	The issue noted was minor in the context of the complexity of the BENO1 claim. We recommend that the Authority continues its programme of training officers regularly, to minimise the possibility that errors occur in future.	The errors identified in this cell relate to what is known as changes to 'relevant benefits'. Updated guidance has been reissued to all processing staff on 2nd November to refresh and update their knowledge in this area. The likely impact of errors in this area is minimal as errors would usually only cover a part week only (ie adjustment to benefit covering 6 or fewer days); however, the additional training provided will help minimise/remove any further problems in this area.	Jess Cox (Benefit Manager) Already implemented
Modified Schemes			
As a result of an issue identified in 2013/14, extension testing was performed to test uprating and application of war disablement pensions. During the testing two cases (out of 30) were identified where expenditure was incorrectly allocated. The total impact was that Rent Allowance expenditure was understated by £127.66 and modified scheme expenditure correspondingly overstated. An amendment was made and as such, no reporting to the DWP was required.	The issue noted was minor in the context of the complexity of the BENO1 claim. We recommend that the Authority continues its programme of training officers regularly, to minimise the possibility that errors occur in future.	These claims only make up a very small number of our caseload (~30 cases, less than 0.2%). To help reduce any further errors in this area a change in our processes was made in September whereby any amendments to these claims have to go through the Benefit Manager prior to any new assessment being made, to ensure the modified scheme element of the award is correct. This will ensure checking of in-year adjustments is undertaken. In addition, checking of the automated annual upratings will be made by a team leader or the Benefit Manager prior to the submission of the audit claim each year.	Jess Cox (Benefit Manager) Already implemented

Appendix B

Management Action Plan: Prior year issues (2013/14) – progress made

BEN01 Housing Benefit Subsidy Claim (deadline 30 November 2014)

Issue	Prior year Recommendation	2013/14 Management response	Recommendation Status 2014/15
<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"> • 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 • 55 cases, (out of 61), within the extension testing of eligible overpayments should have been classified as technical overpayments. <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 certification 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>Although a small numbers of errors were noted in the 14/15 testing of Non-HRA payments there was a significant improvement year on year.</p>

Glossary

Scope of Work

Each year the Department for Work and Pensions (DWP) requests certification by an appropriately qualified auditor, of the Housing Benefit subsidy claim as submitted to them by local authorities each April. Certification arrangements are made by the PSAA (transitional body for the Audit Commission from 1 April 2015) under Section 28 of the Audit Commission Act 1998 and allow for the DWP to obtain assurance about an authority's entitlement to Housing Benefit subsidy in respect of their administering of housing benefit (HB) for tenants of a local authority and rent allowances for private tenants.

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 HBCOUNT Modules and BENO1 Certification Instruction (CI) issued to us by the PSAA; these are designed to provide assurance, for example, that the Authority's claim is fairly stated and in accordance with specified terms and conditions.

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

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 PSAA's Code of Audit Practice do not apply to certification work.

Statement of Responsibilities

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

PSAA Definitions for Certification work

Abbreviations used in certification work are:-

'appointed auditor' is the auditor appointed by the PSAA (previously known as 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;

'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;

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

'Commission' refers to either the PSAA 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;

‘HBCOUNT Modules’ are written instructions and a set of mandated tools from the Commission to appointed auditors on the certification of the Housing Benefit 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;

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

‘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 PSAA and appointed auditors in relation to claims and returns*, available from 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.

In the event that, pursuant to a request which Peterborough City Council has received under the Freedom of Information Act 2000 or any subordinate legislation made thereunder (collectively, the “Legislation”), Peterborough City Council is required to disclose any information contained in this deliverable, it will notify PwC promptly and will consult with PwC prior to disclosing such deliverable. Peterborough City Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such deliverable. If, following consultation with PwC, Peterborough City Council discloses any of this deliverable or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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