

Certification of claims and returns annual report 2015-16

Peterborough City Council

January 2017

Ernst & Young LLP



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The Members of the Audit Committee
Peterborough City Council
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16 January 2017

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Dear Members

Certification of claims and returns annual report 2015-16 Peterborough City Council

We are pleased to report on the results of our work on Peterborough City Council's 2015-16 grant 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 (DWP) 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 £73,534,614. Owing to our own staff resourcing issues we did not meet the DWP's certification deadline of 30 November and issued our certificate on 14 December 2016. The certificate included reference to a qualification letter – details of the qualification matters are included in section 1. Our certification work found errors which the Council corrected. The amendments increased the grant due to the Council by £3,768.

Fees for certification are summarised in section 3. The housing benefits subsidy claim fees for 2015-16 were published by PSAA in March 2015 and are now available on PSAA's website (www.psa.co.uk).

We welcome the opportunity to discuss the contents of this report with you at committee on 13 February 2017.



Yours sincerely,



Suresh Patel
Executive Director
Ernst & Young LLP
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£ 73,530,846
Amended/Not amended	Amended – subsidy increased by £3,768
Qualification letter	Yes
Fee – 2015-16	£13,619
Fee – 2014-15	£18,740

Recommendations from 2014-15	Findings in 2015-16
None	See detail below

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 some areas.

We have reported the extrapolated value of these errors, underpayments, and other observations in a qualification letter. The DWP then decides whether to ask the Council to carry our further work to quantify the errors or to claw back the benefit subsidy paid. These are the main issues we reported:

- Testing of the initial sample of Rent Rebates (non-HRA) identified 1 case where the Council had overpaid benefit as a result of miscalculating the claimant's weekly income. Testing of an additional random sample identified 1 case where the Council had overpaid benefit as a result of miscalculating the claimant's weekly income, and 1 case where the Council had underpaid benefit as a result of miscalculating the claimant's weekly income. As there is no eligibility to subsidy for benefit which has not been paid, the one underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes.
- Testing of the initial sample of Rent Allowances identified 2 cases where benefit had been underpaid as a result of the Council miscalculating the claimant's weekly income, and 1 case where the Council had overpaid benefit as a result of miscalculating the claimant's weekly income. Testing of an additional sample of 40 cases identified a further 1 case where benefit had been underpaid as a result of the Council miscalculating the claimant's weekly income. As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified do not affect subsidy and have not, therefore, been classified as errors for subsidy purposes.

The claim was also amended as a result of testing undertaken:

- Testing of the initial sample of Modified Schemes identified 1 case where the overpayment was misclassified as claimant error instead of local authority error. All overpayments for Modified Schemes cases were therefore tested for classification of overpayments. A further case was identified where the overpayment was mis-classified. The resulting adjustment to the claim was to increase cells 113 and 120 by £193 and £5,543 respectively and reduce cells 114 and 121 by the same value.
- The additional testing on Modified Schemes overpayments identified 2 cases where there was an amount in an overpayment cell but the claimant was not in receipt of a war pension, this was as the result of an incorrect manual adjustment. All modified scheme cases were therefore tested to confirm all claimants were in receipt of war pension. An additional 5 cases were identified where the claimant was not in receipt of a war pension and a manual adjustment had been included incorrectly. The resulting adjustment to the claim was to decrease cells 214 and 225 by £1,253 and increase cell 102 by £1,023; cell 103 by £230 and cell 094 by £1,253.

- Initial testing on rent allowances identified an incorrect manual adjustment. Additional testing was undertaken on all manual adjustments entered by that assessor and no further errors were identified. The resulting adjustment to this claim was to decrease cell 099 by £25; increase cell 102 by £24; increase cell 113 by £22 and decrease cell 114 by £21.

We have made no audit recommendations on the basis of these findings.

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 PSAA in March 2015 and are now available on their website (www.psa.co.uk).

Claim or return	2015-16	2015-16	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	£13,619	£13,619	£18,740

The indicative fee for 2015-16 is based on the actual fee for 2013-14 with a 25% reduction in 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 £14,055. 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. We will inform the Corporate Director of Resources and the Service Director of Financial Services before seeking any such variation.

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.

Looking forward

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