

## EXTERNAL AUDITOR REPORT: CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2015/16

### 1 PURPOSE OF REPORT

- 1.1 This report draws Members' attention to the report from EY, the Council's external auditor – Certification of Claims and Returns Annual Report 2015/16.

### 2 INTRODUCTION

- 2.1 In accordance with Department for Work and Pensions (DWP) requirements the external auditor is required to certify the accuracy of grant claims and returns. For Rochford District Council this relates to housing benefit subsidy claim.
- 2.2 The EY report summarises the main issues and recommendations arising from the certification of grant claims and returns for the financial year ending 31 March 2016. The report is appended.

### 3 RISK IMPLICATIONS

- 3.1 Failure to maintain an effective Housing Benefits process, subject to external audit, could result in non recovery of benefits paid.

### 4 LEGAL IMPLICATIONS

- 4.1 Certification is required by the DWP to support the Council's housing benefit subsidy claim for 2015/16.

### 5 RECOMMENDATION

- 5.1 It is proposed that the Committee **RESOLVES**

That the Certification of Claims and Returns Annual Report 2015/16 be noted.



Robert Manning

Section 151 Officer

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**Background Papers:-**

None.

For further information please contact Jim Kevany (Principal Auditor) on:-

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# Certification of claims and returns annual report 2015-16

Rochford District Council

15 December 2016

Ernst & Young LLP



Building a better  
working world

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15 December 2016

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Dear Members

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

We are pleased to report on our certification work. This report summarises the results of our work on Rochford 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 £17.8 million. We met the submission deadline. We issued a qualification letter and we include the details in section 1. We did not request any amendments to the claim form.

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 7 March 2017 Audit Committee.

Yours sincerely

Kevin Suter  
Executive Director  
Ernst & Young LLP  
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Contents

1. Housing benefits subsidy claim.....1

2. 2015-16 certification fees.....3

3. Looking forward.....4

4. Summary of recommendations.....5

## 1. Housing benefits subsidy claim

| Scope of work                              | Results  |
|--|--|
| Value of claim presented for certification | £17,825,160  |
| Not amended                                | We did not request any amendments to the claim form. |
| Qualification letter                       | Yes  |
| Fee – 2015-16                              | £8,184   |
| Fee – 2014-15                              | £11,360  |

  

| Recommendations from 2014-15   | Findings in 2015-16   |
|--|---|
| Provide training to assessors regarding the determination of start dates to new claims and changes of circumstance.  | <p>Housing benefit staff prepared a staff guidance document with a refresher discussion at the 2 March 2016 team meeting with follow up training taken for those not in attendance.</p> <p>Council testing in 2015/16 identified one underpayment of benefit and one overpayment as regards start dates to new claims and changes of circumstance.</p>  |
| Assign an independent officer to review a sample of manual adjustments made on a monthly basis to confirm accuracy of input.   | <p>The Senior Benefits Officer reviewed all adjustments and in 2015/16 the Principal Officer (Benefits) undertook a 100% sample check of all manual adjustments with a record of checks kept.</p> <p>We found no errors from our follow up review of officer review of manual adjustments for Non-HRA Rent Rebate testing. However, officers made amendments in 2016/17 for two overpayments for insignificant amounts and four underpayments of housing benefits as regards the manual adjustment for housing benefit paid on two homes.</p> |
| As errors continue to be found in these two areas, we will request officers again take extended 40+ and 100% testing on start dates and manual adjustments for housing benefit paid on two homes on the 2016/17 housing benefits subsidy claim. Please see our recommendation in section 4 of this report. |   |

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 Allowances and Modified Schemes, Council staff identified the following error:

| Description of Cell                          | Nature of error  |
|--|--|
| Cell 094: rent allowance – total expenditure | Initial testing of 20 Rent Allowance cases found that an assessor had entered the incorrect date on an income case. Although the error resulted in an underpayment of benefit, because an overpayment could have arisen the Council took extended testing of 40 cases.<br>No further errors were found.<br>We reported the understatement in our 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 by the previous external auditors to the Council, BDO, in their 2013/14 and 2014/15 certification reports.

| Description of Cell                                   | Nature of error   |
|---|---|
| Cell 011: Non-HRA rent rebates – total expenditure    | No errors were found from the 100% review of manual adjustments by Council officers in respect of Non-HRA rent rebates.   |
| Cell 011: Non-HRA rent rebates – total expenditure    | Two errors whereby technical overpayments were incorrectly recorded as eligible overpayments were found by Council officers in checking 100% of all Non-HRA rent rebates overpayments. Officers processed the amendments in April 2016 and these were included in the Housing Benefits claim. Therefore we have not had to request an amendment to the 2015/16 claim. |
| Cell 011: Non-HRA rent allowances – total expenditure | Council officers corrected two overpayment amendments for insignificant amounts and reported four underpayments of housing benefits from the 100% review of manual adjustments for housing benefit paid on two homes. Officers processed the amendments in 2016/17 and therefore we have not requested an amendment to the 2015/16 claim.                             |
| Cell 094: rent allowance – total expenditure          | Initial testing of 20 Rent Allowance cases did not identify any errors as regards start dates to new claims and changes of circumstance. However, testing of a further sample of 40 further cases identified one underpayment of benefit and one overpayment.<br>We included an extrapolation table within our Qualification Letter for the overpayment found.        |
| Cell 094: rent allowance – total expenditure          | Initial testing of 20 Rent Allowance cases did not identify any errors as regards start dates to child tax credits. However, testing of a further sample of 40 further cases identified two underpayments of benefit which we have reported to the DWP in our Qualification Letter.   |
| Cell 225: modified schemes – rent allowance           | No errors were found  |

The DWP will now decide whether to ask the Council to carry out further work to quantify the extrapolated 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<br>£ | Indicative fee<br>£ | Actual fee<br>£ |
| Housing benefits subsidy claim | 8,184           | 8,184               | 11,360          |

The indicative scale fee for 2015/16 is based on the final fee of £10,912 for 2013/14. The sum of £8,184 reflects the 25% reduction arising from the outcome of the Audit Commission's tendering exercise in March 2014.

We delivered the work within the indicative fee. This was dependent upon the arrangements implemented in previous years, and continued for 2015/16, whereby Internal Audit complete the initial sample testing of relevant cases as well as housing benefits staff completing extended 40+ and 100% testing.

### 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 £8,520. 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 Section 151 Officer 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.

## 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>  | High     |                           | 31 August 2017 | Rob Manning<br>– Section 151 officer |
| 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. |          |                           |                |                                      |

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