

Certification of claims and returns annual report 2014-15

Colchester Borough Council

December 2015

Ernst & Young LLP



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22 December 2015

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Dear Members

Certification of claims and returns annual report 2014-15 Colchester Borough Council

We are pleased to report on our certification work. This report summarises the results of our work on Colchester Borough Council's 2014-15 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.

Under section 28 of the Audit Commission Act 1998, as transitionally saved, the Audit Commission made arrangements for certifying claims and returns in respect of the 2014-15 financial year. 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.

Statement of responsibilities

The Audit Commission's 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities) applied to this work. It serves as the formal terms of engagement between ourselves as your appointed auditor and the Council as audited body.

This report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the Council. As appointed auditor we take no responsibility to any third party.

Summary

Section 1 of this report outlines the results of our 2014-15 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £55,428,984. We met the submission deadline. We issued a qualification letter for the housing benefit scheme claim and details of the qualification matters are included in section 2. Our certification work also found errors in



the housing benefit claim which the Council corrected. The amendments had a marginal effect on subsidy, reducing the overall amount due to the Council by £3,236.

We made no recommendations in the prior year and have none to make this year.

Fees for certification work are summarised in section 2. The fees for 2014-15 were published by the Audit Commission on 27 March 2014 and are now available on the Public Sector Audit Appointments Ltd (PSAA's) website (www.psa.co.uk).

We welcome the opportunity to discuss the contents of this report with you at the 19 January 2016 Governance Committee.

Yours faithfully

Debbie Hanson
Director
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£55,432,220
Amended/Not amended	Amended - subsidy reduced by £3,236
Qualification letter	Yes
Fee - 2014-15	£23,949 (this comprises the scale fee of £19,690 plus a proposed scale fee variation of £4,259. Further detail on the scale fee variation is included in section 2 of this report).
Fee - 2013-14	£16,743

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 five areas:

- Non HRA rent rebates - treatment of changes of address - amendment made to the claim;
- Non HRA rebates - application of cap - amendment made to the claim;
- Classification of overpayments - this related to one landlord and all potentially affected cases were reviewed - audit review of this work however identified an error and as a result this issue was reported in the qualification letter (further detail is provided on this below);
- Errors in input of earnings details - 40+ testing carried out and reported in qualification letter;
- Error in calculation of Local Housing Allowance - 40+ testing carried out and reported in qualification letter.

Extended and other testing identified errors which the Council amended, as noted above. These changes had a small net impact on the claim, reducing the overall amount due to the Council by £3,236.

We have reported uncertainties and the extrapolated value of other errors in a qualification letter to the DWP. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back benefit subsidy paid on the basis of the extrapolated figures reported in the qualification letter. The main issues we reported in our qualification letter for 2014-15 are summarised below:

- 40+ testing was carried out on local housing allowance rates (rent value for tenants of private landlords) and earnings for rent allowances (non local authority

tenants). Extrapolations of the errors identified by this testing were reported in the qualification letter.

- Initial testing of rent allowances cases identified one case where an overpayment had been incorrectly classified as claimant error instead of local authority error. This was due to the Council initially applying incorrect rental amounts for one particular Housing Association. The Council was able to identify the full affected population in relation to this issue, review all the affected cases and process an amendment on the housing benefit system accordingly. However our review of a sample of the work performed identified an error in the Council's workings. As a result, we were unable to confirm that the amendment processed on the housing benefit system had been fairly stated. This issue was therefore included within the qualification letter.
- As a result of the issue reported in the previous year qualification letter relating to modified schemes, we carried out additional work on the adjustments made by the Council to these claims in previous years. As a result of this and further work carried out by the Council, an amendment to the claim was made and we have been able to report to the DWP that no further issues remain.

2. 2014-15 certification fees

The Audit Commission determined a scale fee each year for the audit of claims and returns. For 2014-15, these scale fees were published by the Audit Commission on 27 March 2014 and are now available on the PSAA's website (www.psa.co.uk).

Claim or return	2013-14	2014-15	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	16,743	19,690	23,949

We are proposing a scale fee variation of £4,259 in addition to the indicative scale fee of £19,690. The proposed variation reflects:

- The additional time spent reviewing modified schemes. This work was undertaken to address the prior year qualification issues which had resulted in large number of prior year adjustments being made to this year's claim. As noted in section 1 of this report, not all of the prior year adjustments had been made correctly. As a result, additional work had to be undertaken by both the Council and the audit team.
- The fact that we have had to undertake 40+ testing for the first time in several years. As a result of errors identified in initial testing we had to undertake two sets of additional testing on local housing allowance rates and earnings.

We must seek the agreement of PSAA to this proposed variation, which also needs to be agreed with the Colchester Council's Strategic Finance Manager.

3. Other assurance work

During 2014-15 we also acted as reporting accountants in relation to the following scheme:

- ▶ Housing pooling return.

We have provided a separate report to the Council in relation to this return. This work has been undertaken outside the Audit Commission/PSAA regime, and the fees for this are not included in the figures included in this report. They are referred to here for completeness to ensure to ensure Members have a full understanding of the various returns on which we provide some form of assurance. We did not identify any significant issues as part of this work that need to be brought to the attention of Members

4. 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 Public Sector Audit Appointments (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2015-16 is £12,557. This was prescribed by PSAA in April 2015, based on no changes to the work programme for 2015-16. 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/201516-work-programme-and-scales-of-fees/individual-fees-for-local-government-bodies>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Strategic Finance Manager before seeking any such variation.

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