

Certification of claims and returns annual report 2015-16

Colchester Borough Council

December 2016

Ernst & Young LLP



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Dear Members

Certification of claims and returns annual report 2015-16 Colchester Borough Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Colchester Borough Council's 2015-16 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 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 £54,966,777. 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 1. Our certification work found errors which the Council corrected. The amendments had a marginal effect on the grant due.

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

Fees for certification work are summarised in section 3. The housing benefits subsidy claim fees for 2015-16 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2015 and are now available on the PSAA's website (www.psaa.co.uk).



We welcome the opportunity to discuss the contents of this report with you at the 17 January 2017 Governance and Audit Committee.

Yours faithfully

Kevin Suter
Director
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£54,955,749
Amended/Not amended	Amended - subsidy reduced by £11,028
Qualification letter	Yes
Fee - 2015-16	£13,640 (This comprises the scale fee of £12,557 plus a proposed scale fee variation of £1,083. Further detail on the scale fee variation is included in section 3 of this report).
Fee - 2014-15	£23,949

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 four areas:

- Minor reconciliation differences - amendments made to the claim;
- Non HRA rent rebates - treatment of backdated expenditure - amendment made to the claim;
- Errors in input of earnings details - 40+ testing carried out and reported in qualification letter; and
- 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. They had a small net impact on the claim. We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid. These are the main issues we reported:

- 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.

The net impact on the claim was £11,028.

Follow-up on 2014/15 Qualification report

During the year we were required by the DWP and PSAA to follow-up the issues reported in our 2014/15 qualification letter.

In summary, the issues reported in that year were:

- ▶ The council could not reconcile one case sampled for testing back to the subsidy claim; and
- ▶ The Council had processed manual adjustments in respect of overpayments for Genesis Housing Association tenants, for which we identified an error in our sample testing.

The Council completed additional work for these two issues, which we reviewed.

Our additional work resulted in:

- ▶ Assurance that following additional work, the Council could reconcile the case back to the subsidy claim; and
- ▶ Correction of a further 9 overpayments where amendments had been incorrectly made.

2. Other assurance work

During 2015-16 we will also act as reporting accountants in relation to the following scheme:

- Housing pooling return

This work is due to commence in January 2017 when we will provide a separate report to the Council in relation to this return. This work will be undertaken outside the PSAA regime. The proposed fee for this is included in the figures in Section 3. They are referred to here to ensure Members have a full understanding of the various returns on which we provide some form of assurance.

3. 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).

Claim or return	2015-16	2015-16	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	13,640	12,557	23,949
Requested follow-up work for 2014/15 claim			1,991
Housing pooling return		5,000	

The housing benefit subsidy claim certification fee has reduced year on year.

In 2014/15 the indicative fee was set as £19,690, which in addition a scale fee variation was made of £4,259 to reflect the need for additional 40+ work.

The indicative fee is set based on the level of fee from two years ago, so 2015/16's indicative fee was based on the outturn fee from 2013/14 of £16,743 less 25% savings from the Audit Commission's final contractual procurement. In 2013/14, no 40+ was required.

Due to the work performed above the baseline set in 2013/14 we have submitted a scale fee variation to PSAA of £1,083. The proposed variation reflects:

- The additional time spent reviewing claim adjustments. This work was undertaken to address the issues identified with non-HRA backdates and reconciliation adjustments.
- The fact that we have had to undertake additional review of 40+ testing for errors in earnings and calculation of the Local Housing Allowance rate.

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.

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 (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2016-17 is £17,926. 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 Strategic Finance Manager 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.

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