

Central Bedfordshire Council

Certification annual report 2014-15

December 2015

Ernst & Young LLP



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working world

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11 December 2015

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Certification annual report 2014-15 Central Bedfordshire Council

We are pleased to report on our certification work. This report summarises the results of our work on the Council's housing benefit subsidy claim.

Scope of work

Benefit authorities claim large sums of public money in subsidies from central government and are required to complete housing benefit subsidy claims. The Department for Work and Pensions (DWP) requires certification from an appropriately qualified auditor of the housing benefit subsidy claims.

The Secretary of State for Communities and Local Government delegated statutory functions (from the Audit Commission Act 1998) to Public Sector Audit Appointments Limited (PSAA). PSAA is responsible for setting indicative fees for certification work and for making arrangements for appointed auditors to certify annual housing benefit subsidy claims from local authorities to the DWP. In certifying these claims, auditors act as agents of PSAA and are required to comply with a specified approach.

Certification work is not an audit. Certification work involves executing prescribed tests which are designed to give reasonable assurance that claims are fairly stated and in accordance with specified terms and conditions.

Where auditors agree it is necessary audited bodies can amend a claim. An auditor's certificate may also refer to a qualification letter where there is disagreement or uncertainty, or the audited body does not comply with scheme terms and conditions.

PSAA does not make arrangements for auditors to certify any other claims or returns. Appointed auditors can act as reporting accountants for other claims and returns such as the teachers' pensions and pooling of housing capital receipts returns. We have agreed to certify the Council's 2014-15 teachers' pensions and 2014-15 pooling of housing capital receipts returns. This is work outside of the Audit Code and is not included in this report.

Statement of responsibilities

In March 2013 the Audit Commission issued a revised version of the 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities). The Statement remains in use under the transitional arrangements delegated to the PSAA. It is available from the Chief Executive of each audited body and the PSAA.

The statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

Each year, auditors must report the results of the previous year's certification work to those charged with governance at each local authority. The report is mandatory. Reports must be issued to authorities and copied to the PSAA. Your annual certification 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 audited body. We, as appointed auditor, take no responsibility to any third party.

Summary

Section 1 of our report outlines the results of our 2014-15 housing benefit subsidy claim certification work and highlights the significant issues.

The housing benefit subsidy claim had a total value of £61m. We met the submission deadline. We issued a qualification letter. Details of the qualification matters are included in section 1. Our certification work found errors which the Council corrected. The amendments had only a minimal impact on the subsidy due.

While the Council has continued to prioritise staff training and quality control in the Revenues and Benefits team the accuracy of benefits processing has not improved year on year. We have recommended that the Council should:

- extend the level of checking that is carried out on the work of assessors, other than new starters, from the current level of 4%; and
- focus checking on the assessors identified as making the most errors.

Fees for certification work are summarised in section 2. The indicative fee for 2014-15 is based on the final 2012-13 certification fee, reflecting the amount of work required by the auditor to certify the benefit claim in that year.

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee

Yours faithfully

Mick West
Director
Ernst & Young LLP
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1. Summary of 2014-15 benefit certification work

The main findings from our benefit certification work are provided below.

Housing benefit subsidy claim

Scope of work	Results
Value of claim presented for certification	£61,465,319
Limited or full review	Full
Amended	Amended – Subsidy reduced by £4,106 (£3,704 in 2013-14)
Qualification letter	Yes
Fee – 2013-14	£35,880
Fee – 2014-15	£33,201
Recommendations from 2013-14:	Findings in 2014-15
The Council needs to continue to prioritise staff training and quality control in the Revenues and Benefits team to ensure that the target set by the Council for benefit assessment accuracy is met and reduce the level of testing required to certify this claim.	Our work is still identifying a number of errors particularly in respect of income assessment and misclassification between overpayment cells.

Councils run the Government's housing benefits scheme for tenants. Councils responsible for the scheme 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+' testing (extended testing) where errors were found in the previous year or if initial testing identifies errors in the calculation of benefit or compilation of the claim.

Due to the number of errors found in previous years a large volume of additional testing continues to be required. In addition to our initial testing of the three headline cells; - 20 cases in each of rent rebates (non HRA), rent rebates (HRA) and rent allowances, - your officers carried out extended testing for each cell where errors were found last year and where errors have been found in this year's initial testing. Extended testing was completed on 12 cells (10 cells in 2013-14).

Where our testing enabled us to quantify the error, without extrapolation, the Council amended the claim. These amendments reduced the subsidy payable to the Council by £4,106.

We are required to report the nature of the errors found and extrapolate the value across the cell population. 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. The net impact of the extrapolated errors is a potential loss of £21,875.

The net impact of the extrapolated errors reported and the amendments agreed is a potential loss of subsidy of £25,981. This compares to a potential loss of subsidy in 2013-14 of £50,514 and reflects a fall in the value of extrapolated errors from £46,810 to £21,875. The value of extrapolated errors and therefore potential loss of subsidy has fallen for the last three years.

Our work is however still identifying a number of errors in the processing of benefits payments. The following are the main issues included in our qualification letter:

Underpaid benefit and overpaid benefit as a result of errors in income assessment.	Testing identified both underpaid and overpaid benefit for a number of claimants, mainly as a result of incorrectly calculating claimant income. As there is no eligibility to subsidy for benefit which has not been paid,
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	<p>the underpayments identified did not affect subsidy and were not classified as errors for subsidy purposes.</p> <p>The overpayment errors have been extrapolated across the relevant cell totals and reported to the DWP.</p>
Misclassification of overpayments	<p>The level of subsidy for overpayments is determined by the classification of the overpayment. The misclassification errors found resulted in both overstatements and understatements of subsidy claimed.</p> <p>Misclassification errors have resulted in the larger extrapolations that impact on subsidy claimed.</p>

These issues were similar to the issues reported in 2013-14 and extended across the full range of benefit types.

The Council has continued to prioritise staff training and quality control in the Revenues and Benefits team in order to reduce the number of errors in processing benefits claims. Quality control measures in place are as follows:

- 100% of all assessments are checked for all new members of the benefits team for at least their first week;
- for all other members of the team a minimum of 4% of cases are checked for each assessor on a weekly basis;
- direct feedback is given to assessors when errors are found so that lessons can be learned, and
- for individual payments greater than £1000 pre and post payment checks are completed.

The weekly accuracy checks are documented and the results are reported as part of the Customer Accounts Dashboard which is reported to the Head of Service and Chief Finance Officer.

The target that the Council has set for benefit assessment accuracy is 95%. This was only achieved in one month (August) during 2014-15. Performance has fallen in 2015-16 with accuracy at a low of 83% for September 2015, although performance improved in October to 88%. The Council introduced Risk Based Verification in April 2015 and a new on line application form in July 2015. The introduction of the new process for verifying eligibility for benefit and the new on line form are thought to have contributed to the dip in accuracy. However, it is anticipated that accuracy will improve as assessors become familiar with the new processes.

While the Council has continued to prioritise staff training and quality control in the Revenues and Benefits team the accuracy of benefits processing has not improved year on year. Given that there has not been a significant improvement the Council should:

- extend the level of checking that is carried out on the work of assessors, other than new starters, from the current level of 4%; and
- focus checking on the assessors identified as making the most errors.

2. 2014-15 certification fees

The indicative fee for 2014-15 is based on the final 2012-13 certification fee for the housing and council tax benefits subsidy claim, reflecting the amount of work required by the auditor to certify the claim, but adjusted for council tax benefits dropping out of the 2014-15 claim.

Claim or return ¹	2013-14 Actual fee £	2014-15 Scale fee £	2014-15 Actual fee £
Housing benefit subsidy claim	35,880	33,210	33,210
Pooling of housing capital receipts (1)	583	-	-
Other claims	-	-	-
Total	36,463	33,210	33,210

- (1) From 2014-15 the Pooling of housing capital receipts return is no longer certified by the appointed auditor as part of the certification arrangements with the PSAA.

3. Looking forward

For 2015-16 the Audit Commission set an indicative certification fee for housing benefit subsidy claim certification work for each audited benefit authority. The indicative fee is based on the actual 2013-14 benefit certification fee reduced by 25% following the further tendering of contracts in March 2014.

The Council's indicative certification fee for 2015-16 is £26,910. The actual certification fee for 2015-16 may be higher or lower than the indicative fee, if we need to undertake more or less work than in 2013-14.

We must seek the agreement of PSAA to any proposed variations to indicative certification fees. The PSAA expects variations from the indicative fee to occur only where issues arise that are significantly different from those identified and reflected in the 2013-14 fee.

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
Housing and council tax benefits subsidy claim				
While the Council has continued to prioritise staff training and quality control in the Revenues and Benefits team the accuracy of benefits processing has not improved year on year. Given that there has not been a significant improvement the Council should:	High			
<ul style="list-style-type: none"> extend the level of checking that is carried out on the work of assessors, other than new starters, from the current level of 4%; and 		Agreed	4.1.16	Gary Muskett
<ul style="list-style-type: none"> focus checking on the assessors identified as making the most errors. 		Agreed	4.1.16	Gary Muskett

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