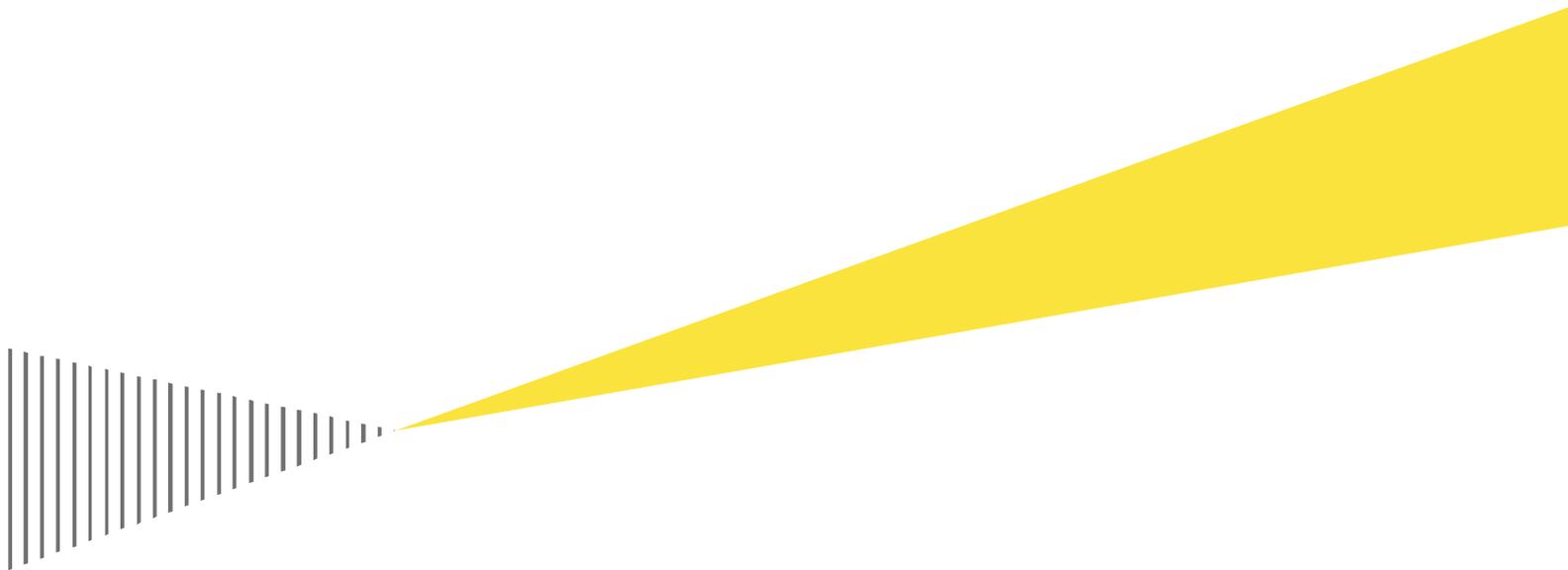


# Certification of claims and returns annual report 2015-16

Central Bedfordshire Council

19 December 2016

Ernst & Young LLP



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The Members of the Audit Committee  
Central Bedfordshire Council  
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Dear Members

19 December 2016  
Ref:

Email: [NHarris2@uk.ey.com](mailto:NHarris2@uk.ey.com)

## **Certification of claims and returns annual report 2015-16 Central Bedfordshire Council**

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Central Bedfordshire 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 we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

In addition to this, we also acted as reporting accountants in relation to one return – Teachers' Pensions, and are scheduled to act in relation to another – Pooling of Housing Capital Receipts, outside the PSAA's regime.

### **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 £61.01million. We met the submission deadline. We issued a qualification letter and details of the qualification matters are included in section 1. Amendments to the return had a marginal effect on the grant due of £4,100.

We provided a separate report to the Council in relation to the Teachers' Pensions return with a total value of £8.4 million. Significant issues identified as part of this work are included in section 2.



Fees for certification and other returns 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](http://www.psaa.co.uk)).

We welcome the opportunity to discuss the contents of this report with you at the 9 January Audit Committee.

Yours faithfully

**Neil Harris**  
Executive Director  
Ernst & Young LLP  
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## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£61,098,823
Amended/Not amended	Amended – subsidy reduced by £4,100
Qualification letter	Yes
Fee – 2015-16	£26,910
Fee – 2014-15	£33,201

### Recommendations from 2014-15

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 starts, from the current level of 4%; and
- Focus the checking on the assessors identified as making the most errors.

### Findings in 2015-16

The Council has continued to implement its quality control processes in a focussed manner, as described in page 2 below.

Our work has continued to identify errors in income assessment and overpayments misclassification.

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.

Whilst the errors identified are similar to those identified in previous years and do extend across all benefit types, we have noted an improvement.

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:

Incorrect income assessment leading to underpaid and overpaid benefit	Testing identified underpaid and overpaid benefit mainly as a result of miscalculating claimant income. As there is no eligibility to subsidy for benefit that has not been paid, the underpayments identified did not affect subsidy claimed and were not classified as errors for subsidy
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purposes.

The overpayment errors have been extrapolated across the relevant cell totals and reported to DWP.

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Misclassification of overpayments

The level of subsidy for overpayment is determined by its classification. The misclassifications found resulted in both understatements and overstatements of subsidy claimed.

The errors have been extrapolated across the relevant cell totals and reported to DWP.

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These issues are similar to those reported in 2014/15. Quality control measures put in place comprise checking in a priority order as follows:

- Individual payments greater than £1,000 (pre and post payment checking)
- 100% check for all new members of staff for a minimum period of 1 week (no maximum period – decision taken on individual basis)
- 4% check of other work processed at random undertaken but subject to resource and availability

The Systems and Controls team also undertake additional random checks on overpayment allocation to supplement the work of the checking team and in response to overpayment allocation issues identified through the audit process, including:

- weekly check of all overpayments identified with specific reason codes to ensure correct technical classification, with corrections applied weekly;
- random monthly sample across all overpayment categories to identify incorrect allocation with corrections applied quarterly; and
- quarterly check of rent officer referral cases to ensure current referral has been requested.

The checks are documented by the Systems and Controls team.

The Council has set a target for benefits accuracy of 95%. This was not achieved in 2015/16 Monitoring in 2016/17 shows performance has been below the target level, however between July 2016 and October 2016 there has been a steady improvement in accuracy levels.

Given the Council has not yet seen a sustained improvement in accuracy levels, it should continue with its targeted quality control processes.

## 2. Other assurance work

During 2015-16 we also acted as reporting accountants in relation to the following schemes:

- ▶ Teachers pensions

We have provided a separate report to the Council in relation to this return. This work has been undertaken outside the PSAA regime. The fees for this are 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.

Our reporting identified the following matters meriting reporting to Teachers' Pensions:

**Contributions paid** - there is a difference between the Authority's return and working papers, and the amount advised by TP of £3,079.46, due to an updated notification of an amount payable by the TP.

**Errors found in testing of the Authority's payroll** - 2 out of the 20 staff whose payroll is processed by CBC (as at March 2016), have been found to be contributing their teachers' pension at an inappropriate tier, resulting in a £433.03 overstatement of employee contributions.

**Lack of assurance over data provided by other payroll providers** - in July 2015, the Authority issued all schools and payroll providers with a document detailing the responsibilities and processes required of schools, the payroll provider for each school and the Authority to ensure that pension contributions are deducted from salary, paid over to TP and the service recorded in accordance with the Teachers' Pension Scheme Regulations (2010).

The Council receives MCBs (Monthly Contribution Breakdowns) for individual schools from 8 other payroll providers. Once provider did not submit the MCB to the Council to verify the amounts and one did not provide the detailed report to support the MCB.

For the providers with supporting information, the Authority checks that the MCBs match the detailed reports received. The information from other providers is collated and this summary is used to complete the EOYCa return. No further checks are carried out on the information provided and no checks are carried out on other providers' payroll records.

There have been improvements in the process during 2015-16, but these require strengthening further to provide the assurance required.

**Differences between Monthly Contribution Breakdowns and supporting records from other payroll providers** - Our testing found differences between MCBs and our recalculation of the employee contributions. The differences identified are shown in Table 1 below and reflect an overstatement of £4,762.11.

- ▶ We have been engaged to provide a reasonable assurance report in respect of the Pooling of Housing Capital Receipts return. This work is scheduled for February 2017 and we will report any to those charged with governance as appropriate.

### 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.psa.co.uk](http://www.psa.co.uk)).

Claim or return	2015-16	2015-16	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	26,910	26,910	33,201
<b>Other claims or returns:</b>			
Teachers' Pensions	10,000	10,000	13,000
Pooling of housing capital receipts return	TBC*	TBC*	4,000

\*We are in the process of completing the engagement procedures regarding this return

## 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 £26,910 (excluding reasonable assurance engagements). 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 Chief Finance 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.

## 5. Summary of recommendations

This section highlights the recommendations from our work and the actions agreed.

Recommendation	Priority	Agreed action and comment	Deadline	Responsible officer
<p><b>Housing benefits subsidy claim:</b></p> <p>Given the Council has not yet seen a sustained improvement in accuracy levels, it should continue with its targeted quality control processes</p>	Medium	Every effort is made to minimise errors entering the system through robust and sustained checking, as per the details provided in this report, and that the further increase in digitisation and automation should significantly impact on re-keying errors. Where issues are identified, either through the annual audit or through checking, targeted checking will be undertaken (whether at a 100% level or on a randomised basis) to reduce recurrence of error.	April 2017	Gary Musket, Head of Revenues and Benefits
<p><b>Teachers' Pensions return:</b></p> <p>There is a lack of assurance over data provided by other payroll providers. There have been improvements in the process during 2015-16, but these require strengthening further to provide the assurance required.</p>	Medium	The Council will further improve the processes and introduce data checking for 2016/17.	April 2017	Ralph Gould, Head of Financial Control

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