

Certification of claims and returns annual report 2016-17

Central Bedfordshire Council

December 2017

Ernst & Young LLP



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Dear Members

Certification of claims and returns annual report 2016-17 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 2016-17 claims and returns.

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 2016-17, 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 1 return outside the PSAA's regime.

Summary

Section 1 of this report outlines the results of our 2016-17 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £59,165,845. We met the submission deadline. We issued a qualification letter and details of the qualification matters are included in section 1. Our certification work found errors which the Council corrected. The amendments resulted in a marginal reduction in grant due of £2,159.



We will provide separate reports to the Council in relation to the Teachers Pensions return and the Pooling of Housing Capital Receipts return.

Fees for certification and other returns work are summarised in section 3. The housing benefits subsidy claim fees for 2016-17 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2016 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 8 January Audit Committee.

Yours faithfully

Neil Harris
Associate Partner
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£59,168,004
Amended/Not amended	Amended – subsidy reduced by £2,159
Qualification letter	Yes
Fee – 2016-17	£24,908
Fee – 2015-16	£26,910

Recommendations from 2015-16	Findings in 2016-17
Given the Council has not yet seen a sustained improvement in accuracy levels, it should continue with its targeted quality control processes	<p>The Council has continued to implement its quality control processes in a focussed manner, as described below.</p> <p>Our work has continued to identify errors in income assessment and overpayments misclassification.</p>

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 several areas.

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 our 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	<p>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 purposes.</p> <p>The overpayment errors have been extrapolated across the relevant cell totals and reported to DWP.</p>
Misclassification of overpayments	<p>The level of subsidy for overpayment is determined by its classification. The misclassifications found resulted in both understatements and overstatements of subsidy claimed.</p> <p>The errors have been extrapolated across the relevant cell totals and reported to DWP.</p>

These issues are similar to those reported in 2015/16. 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:

- 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.

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 2016-17 we also acted as reporting accountants in relation to the following schemes:

- ▶ Teachers pensions
- ▶ Pooling of housing capital receipts

We will provide separate reports to the Council in relation to these returns. 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 to ensure Members have a full understanding of the various returns on which we provide some form of assurance.

3. 2016-17 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2016-17, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) in March 2016 and are now available on the PSAA's website (www.psaa.co.uk).

Claim or return	2016-17	2016-17	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	24,908	24,908	26,910
Other claims or return: Teachers Pensions Return ¹	TBC	10,000	10,000
Pooling of housing capital receipts return ²	TBC	TBC	4,000

¹ The fee for the Teachers Pensions Return is being finalised.

² We are in the process of completing the engagement procedures regarding this return

4. Looking forward

2017/18

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 2017/18 is £24,908. This was set by PSAA and is based on final 2015/16 certification fees.

Details of individual indicative fees are available at the following web address:

<https://www.psa.co.uk/audit-fees/201718-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.

2018/19

From 2018/19, the Council will be responsible for appointing their own reporting accountant to undertake the certification of the housing benefit subsidy claim in accordance with the Housing Benefit Assurance Process (HBAP) requirements that are being established by the DWP. DWP's HBAP guidance is under consultation and is expected to be published around January 2018.

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>Housing benefits subsidy claim:</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	<p>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.</p>	April 2018	Gary Muskett, Head of Revenues and Benefits

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