

Certification of claims and returns annual report 2015-16

Cherwell District Council

February 2017

Ernst & Young LLP



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Members of the Accounts, Audit and
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Dear Members

Certification of claims and returns annual report 2015-16 Cherwell District Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Cherwell District Council's 2015-16 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 2015-16, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this claim 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 £38,224,565. We met the extended submission deadline of 31 December. We reported details of the errors identified by our testing in a qualification letter to the Department for Work and Pensions. Further details on the nature of the errors identified are provided in Section 1 of our report. As a result of the errors we identified, DWP have reduced the amount of subsidy payable to the Council by £189,743.

Fees for the certification and other returns work are summarised in section 3. Fees for the certification of 2015-16 housing benefit subsidy claims were published by the PSAA in March 2015 and are 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 March meeting of the Accounts, Audit and Risk Committee.

Yours faithfully

Neil Harris
Executive Director
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£38,224,565
Amended/Not amended	Amended, however there was no impact on the amount of subsidy due to the Council.
Qualification letter	Yes
Fee - 2015-16	£8,844
Fee - 2014-15	£16,660

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 year's claims.

Our testing of a sample of rent allowance claims identified six claims where the claimant's entitlement to benefit had been incorrectly calculated as a result of errors in the calculation of the claimant's income. Additional testing identified a further seven claims where benefit had been calculated incorrectly. The results of our testing were set out in a qualification letter to DWP. In our letter, we reported to DWP an extrapolated error of £75,712. Similar errors were identified in the previous year.

As a result of errors identified in the prior year, we undertook testing on the classification of overpayments made by the Authority in relation to rent allowances. This testing identified 2 cases where the overpayment had been classified incorrectly. Again, the results of our testing were set out in a qualification letter to DWP. In our letter, we reported to DWP an extrapolated error of £39,003.

2. 2015-16 certification fees

Public Sector Audit Appointments Ltd (PSAA) determine a scale fee each year for the audit of claims and returns. For 2015-16, these scale fees were published by PSAA in March 2015 and are available on PSAA's website (www.psa.co.uk).

Claim or return	2015-16	2015-16	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	8,844	8,844	16,660

3. 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 £12,495. 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 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.

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