

# Certification of claims and returns annual report 2015-16

Maldon District Council

January 2017

Ernst & Young LLP



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The Members of the Audit Committee  
Maldon District Council  
Princes Road  
Maldon  
Essex CM9 5DL

17 January 2017

Dear Members

## **Certification of claims and returns annual report 2015-16 Maldon District Council**

We are pleased to report on our certification work. This report summarises the results of our work on Maldon District 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 £15,179,387. We met the submission deadline of 30 November. We issued a qualification letter, details of which are included in section 1. Our certification work found errors which the Council corrected. The amendments resulted in a marginal decrease in the subsidy owed by the Council of £84.

The Council has implemented the recommendation from last year and has improved arrangements. Details are included in section 1.

Fees for certification work are summarised in section 2. The housing benefits subsidy claim fees for 2015-16 were published by PSAA in March 2015 and are 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 February Audit Committee.



Yours faithfully

**Debbie Hanson**  
Director  
Ernst & Young LLP  
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## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification (pre audit amendment)	£15,179,303
Amended	<p>Testing of all non housing revenue account (NHRA) cases found one case where expenditure had been misclassified. This occurred following a change in tenancy type from temporary accommodation to private landlord, when the benefits officers correctly created a manual adjustment to NHRA rent payments. However, when subsidy was processed, the benefits system incorrectly recorded the adjustment within rent allowance. The claim was adjusted to remove the payment from rent allowance and include it in NHRA. There was no impact on subsidy.</p> <p>Testing of all NHRA cases found one case where expenditure of £89 had been classified as above the cap (expenditure above the lower of the one bedroom self-contained LHA rate and the upper limit (£500 or £375)). However, this should have been classified as below the cap (expenditure up to the lower of the one bedroom self-contained LHA rate and the upper limit (£500 or £375)). The claim was adjusted to correct the classification and this decreased subsidy owed by the Council by £89.</p> <p>Testing of all cases within modified schemes found one case where expenditure had been misclassified and should have been classified within rent allowances. This occurred as the incorrect amount had been used for war pension. There was no impact on the amount of benefit awarded. However, the claim was adjusted to correct the classification of expenditure and this increased subsidy owed by the Council by £5.</p>
Qualification letter	Yes
Fee – 2015-16	£13,200
Fee – 2014-15	£17,710

### Recommendations from 2014-15

### Findings in 2015-16

Testing in 2014-15 identified an instance where an error caused by the Academy system resulted in an incorrect amount of benefit being paid to claimants. This was in respect of the system not netting off over and underpayments generated on the same day. Investigate with Academy the reasons for the system errors occurring and obtain solutions from Academy to prevent these occurring in future.

The Council followed up the reasons for the system errors occurring and for 2015-16 ran a report of the relevant cases. The Council reviewed this report and made amendments to the final subsidy claim form to correct any errors identified.

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. The amendments had a very small net impact on the claim, resulting in a decrease in subsidy owed by the Council of £84. 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:

- The ESA work component of a claimant's income had not been separately shown on the benefits system in a rent rebate NHRA case. This error led to an underpayment of benefit and of subsidy receivable by the Council of £70. The whole population of NHRA rent rebates was tested and no further underpayments or overpayments were identified.
- Claimant's earnings had been miscalculated in the benefit calculation in the initial testing of rent allowance cases. 40+ testing was undertaken as a result and the results of this testing were included within the qualification letter. If DWP decide to adjust for the extrapolated error reported, this would increase subsidy owed by the Council by £4,981.
- Initial testing of rent allowances cases found that the Council had not applied a change in award from the Monday following receipt of the notification of a change in circumstances. 40+ testing was therefore undertaken and the results of this testing were included within the qualification letter. Further errors were found in the 40+ testing, which did not affect subsidy. However, in one case, carer's allowance had been incorrectly entered on the system. This error was extrapolated and if DWP decide to adjust for this error, this would increase subsidy owed by the Council by £1,769.
- Initial testing found that the Council had not applied a rent increase during an extended payment period in the testing of rent allowance cases. 40+ testing was therefore undertaken and the results were included within the qualification letter. Further errors were found in the 40+ testing. However, these did not affect subsidy.
- Claimant's self-employed income had been miscalculated in the benefit calculation in the initial testing of rent allowance cases. 40+ testing was therefore undertaken and the results were included within the qualification letter. If DWP decide to adjust for the extrapolated error reported, this would increase subsidy owed by the Council by £2,112.

## 2. 2015-16 certification fees

PSAA determine a scale fee each year for the audit of claims and returns. For 2015-16, these scale fees were published by the PSAA in March 2015 and are now available on the PSAA's website ([www.psaa.co.uk](http://www.psaa.co.uk)).

Claim or return	2015-16	2015-16	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	13,200	13,200	17,710 *

\* The scale fee for 2014-15 was £17,710.

### 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 £13,283. This was prescribed by PSAA in March 2016, based on no changes to the work programme for 2016-17. 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 and inform the Director of Resources. We are not proposing a variation to the 2015-16 indicative fee.

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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