

# Certification of claims and returns annual report 2014-15

Chichester District Council

January 2016

Ernst & Young LLP



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Dear Members

## **Certification of claims and returns annual report 2014-15 for Chichester District Council**

We are pleased to report on our certification work. This report summarises the results of our work on Chichester District Council's 2014-15 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.

Under section 28 of the Audit Commission Act 1998, as transitionally saved, the Audit Commission made arrangements for certifying claims and returns in respect of the 2014-15 financial year. 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.

### **Statement of responsibilities**

The Audit Commission's 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities) applied to this work. It serves as the formal terms of engagement between ourselves as your appointed auditor and the Council as audited body.

This 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 Council. As appointed auditor we take no responsibility to any third party.

### **Summary**

Section 1 of this report outlines the results of our 2014-15 certification work and highlights the significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £37,816,281. We met the submission deadline. Our initial work identified a number of errors. As a result further testing needed to be undertaken by the Council and reviewed by us. We reported the results of our initial and additional testing in a qualification letter and made a number of low value amendments to the certified return. Details of the qualification matters are included in section 2.



Fees for certification work are summarised in section 2. The fees for 2014-15 were published by the Audit Commission on 27 March 2014 and are now available on the Public Sector Audit Appointments Ltd (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 22 March 2016 meeting of the Corporate Governance & Audit Committee.

Yours faithfully

**Paul King**  
Executive Director  
Ernst & Young LLP  
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## Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£37,819,916
Amended/Not amended	Amended
Qualification letter	Yes
Fee – 2014-15	£13,217
Fee – 2013-14	£13,609

Recommendations from 2013-14	Findings in 2014-15
1. Improve the control environment for the assessment of benefit. In particular ensure that income is assessed correctly in the determination of benefit entitlement and that the assessment made is supported by sufficient and appropriate evidence.	Fewer errors of a lower value were identified in this area in 2014-15 compared to the previous year. However, similar errors were again detected and reported in our qualification letter and the Council needs to continue to ensure that income is consistently assessed correctly in the determination of benefit entitlement and that the assessment made is supported by sufficient and appropriate evidence.
2. Ensure that any additional testing undertaken to support the audit of the 2014-15 Housing Benefit Claim is clearly documented and properly supported by evidence.	In 2014-15, we provided schedules to be completed for any additional testing required to ensure that the work performed was documented and supported. These were completed by Housing Benefits staff.

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+' testing (extended testing) if initial testing identifies errors in the calculation of benefit or compilation of the claim. We found errors and carried out further testing in two areas:

- ▶ the incorrect uprating of state retirement benefit; and
- ▶ the incorrect calculation of self-employed income in the determination of benefit entitlement.

These issues are considered more fully below.

Extended '40+' testing and other testing identified a number of further errors. We have reported underpayments, uncertainties and the extrapolated value of overpayment errors to the DWP in a qualification letter. It should be noted that, under the approach to housing benefit work agreed between the DWP and the Audit Commission, no concept of materiality is applied and we must report any errors irrespective of size or whether the Council makes complete amendments to the claim where it is able to do so. The following are the main issues that we included in our qualification letter.

### Uprating of statutory maternity pay

In 2013-14 we identified that statutory maternity pay was not being uprated correctly in all cases. As a result the Council tested all 24 cases where claimants had entitlement to statutory maternity pay during 2014-15. For nine cases statutory maternity pay had not been correctly stated. This resulted in total overpayments of £214.35 and total underpayments of

£614.51. We made no adjustments to the claim in respect of this finding but have ensured that corrections have been made to affected cases in 2015-16.

### **Non-HRA rent rebates**

Our initial testing identified:

- ▶ one case where the rent account had not been set up. This type of error could only result in an underpayment of entitlement to benefit and therefore no further work was undertaken; and
- ▶ five cases where the overpayment of benefit had been understated. There was no impact on entitlement to benefit to the claimant or subsidy claimed as a result of this error, therefore no further work was undertaken.

### **Rent allowances**

Our initial testing identified:

- ▶ four cases where the claim form could not be traced and the Council was unable to provide evidence that these claim forms were received. This was due to the original claim forms, which pre-dated 2006, being destroyed in a fire at the Council's archive storage. We did not undertake any further testing in respect of this issue as we are able to conclude that all claim forms received prior to 2006 were destroyed in the fire;
- ▶ two cases where State Retirement Pension (SRP) had been incorrectly uprated. This resulted in both underpayment and overpayment of benefit; and
- ▶ one case where self-employed income had been incorrectly calculated, resulting in an overpayment of benefit.

#### *Incorrect uprating of State Retirement Pension*

As a result of the issues resulting in a potential overpayment of benefit an additional sample of 40 cases was tested to determine whether SRP used in the calculation of benefit was correctly uprated. Testing of the additional sample identified a further 26 cases where SRP was incorrectly stated.

We extrapolated the overall value of errors in both our initial and additional samples which resulted in the overpayment of benefit. The total extrapolated value of errors was £2,242. No adjustment was made to the claim in respect of this issue.

#### *Incorrect calculation of self-employed income*

As a result of the issues resulting in a potential overpayment of benefit an additional sample of 40 cases was tested to determine whether self-employed income used in the calculation of benefit was correctly calculated. Testing of the additional sample identified a further 6 cases where self-employed income had been incorrectly calculated.

We extrapolated the overall value of errors in both our initial and additional samples which resulted in the overpayment of benefit. The total extrapolated value of errors was £3,981. No adjustments were made to the claim in respect of this issue.

## 2014-15 certification fees

The Audit Commission determined a scale fee each year for the audit of claims and returns. For 2014-15, these scale fees were published by the Audit Commission on 27 March 2014 and are now available on the PSAA's website ([www.psa.co.uk](http://www.psa.co.uk)).

Claim or return	2013-14	2014-15	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	13,609	10,010	13,217*
<b>Total</b>			

\* The final 2014-15 actual fee of £13,217 includes a proposed additional fee of £3,207 to reflect the greater amount of work carried out in 2014-15. This additional fee is subject to review and determination by PSAA Ltd.

## 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 2015-16 is £7,847. This was prescribed by PSAA in April 2015, based on no changes to the work programme for 2015-16. 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/201516-work-programme-and-scales-of-fees/individual-fees-for-local-government-bodies>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the Head of Finance & Governance Services before seeking any such variation.



## Summary of recommendations

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

Recommendation	Priority	Agreed action and comment	Deadline	Responsible officer
Ensure that State Retirement Pension figures used in the assessment of entitlement are being correctly updated annually.	M	Agreed. From 2016/17 the Council will ensure that all pensioner records are checked against Client Information System data. Both the 2015 and 2016 amounts will be verified and amended, where necessary.  We accept that this is a reasonable and proportionate response to the issue raised.	From 2016/17.	Revenues and Benefits Manager
Ensure that income is consistently assessed correctly in the determination of benefit entitlement and that the assessment made is supported by sufficient and appropriate evidence.	M	Agreed. Subsequent to the issue being highlighted the Council has put in place a number of measures to address this, particularly in respect of claims from self-employed individuals where this issue most commonly occurs. Specifically: <ul style="list-style-type: none"> <li>▶ additional training for assessment staff;</li> <li>▶ self-employed claims are now only dealt with by more experienced assessors;</li> <li>▶ income and outgoings to explicitly covered in assessment procedures; and</li> <li>▶ updated procedure notes have been produced to support the process.</li> </ul>	With immediate effect	Revenues and Benefits Manager

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