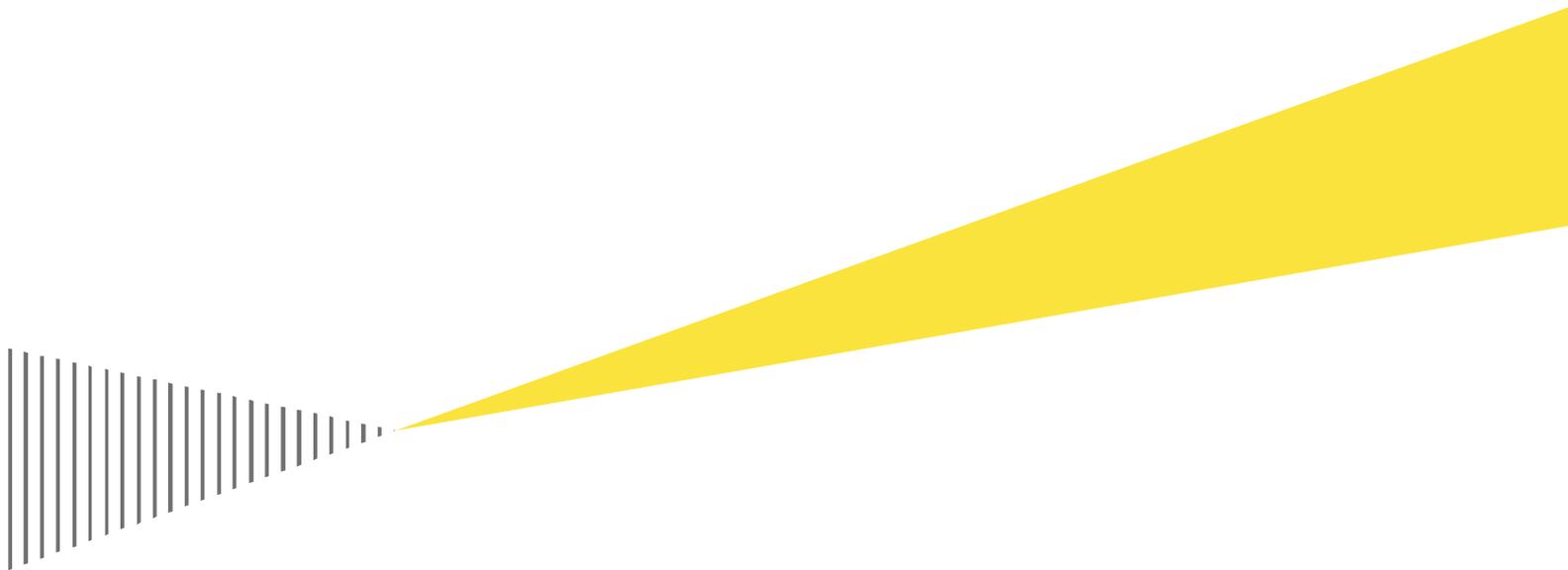


Certification of claims and returns annual report 2015-16

Chichester District Council

December 2016

Ernst & Young LLP



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Dear Members

Certification of claims and returns annual report 2015-16

We are pleased to report on our certification work. This report summarises the results of our work on Chichester 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.

Public Sector Audit Appointments Ltd (PSAA) made arrangements for certifying claims and returns in respect of the 2015-16 financial year. 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 (DWP) and did not undertake a full audit of the claim.

Statement of responsibilities

The 'Statement of responsibilities of grant-paying bodies, authorities, Public Sector Audit Appointments and appointed auditors in relation to claims and returns', issued by PSAA, 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

We checked and certified the housing benefits subsidy claim with a total value of £37,142,860. We met the deadline for this work.

Fees for certification work are summarised in section 2. The scale fees for 2015-16 are available on the (PSAA website (www.psaa.co.uk))

We welcome the opportunity to discuss the contents of this report with you at the Corporate Governance and Audit Committee meeting on 26 January 2017.



Yours faithfully

Paul King
Executive Director
For and on behalf of Ernst & Young LLP
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£36,969,257
Value of claim certified	£37,142,860
Amended/Not amended	Amended
Qualification letter	Yes
Fee – 2015-16	£ 7,847
Fee – 2014-15	£13,217

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 DWP require appropriately qualified auditors to certify housing benefit subsidy claims, and determine the methodology auditors follow when certifying them.

Our certification guidance stipulates the level of initial testing auditors are required to perform and 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 to determine if errors detected in the prior year's claim have reoccurred.

We then either report the extrapolated value of detected errors in a qualification letter or, if appropriate, agree an amendment to the claim with the Council.

We have highlighted any errors detected during our work and the responses below.

- As a result of our testing of claim compilation, specifically validation reports and manual adjustments:
 - the claim form was amended to reduce Rent Allowance local authority and administrative delay overpayments by £43,003. There was a corresponding increase to eligible overpayments. This was to correct an omitted manual adjustment for a validation report. The direct impact of this adjustment was to increase subsidy by £17,201.

There was also an indirect impact. The DWP award no subsidy for local authority and administrative delay overpayments if the total exceeds a threshold. The impact of this adjustment was that total overpayments of this type moved from above the threshold to below the threshold. As a result the Council will receive an additional £160,356 in subsidy; and
 - minor amendments were made to the claim form to correct other manual adjustments. The total impact was to increase subsidy by £190.
- From an initial sample of twenty Non HRA (Housing Revenue Account) Rent Rebate cases:
 - we identified one case where expenditure was misclassified between eligible and technical overpayments by a value of £1,634. There was no impact on benefit paid to the claimant but this type of error would result in the incorrect subsidy being claimed from the DWP. As there was a small population of other cases that could be impacted by this type of error, testing was extended to cover all of them. A further fourteen errors were detected. To

correct this error, an amendment of £10,362 was agreed to the claim form which reduced the total subsidy payable to the Council by £4,145; and

- we identified four cases where technical overpayment had been understated by a total value £1,568. The error arose through the system inappropriately netting technical overpayment when a claimant moved from a Non HRA Rent Rebates property into a Rent Allowances property. This error will never have an impact on benefit paid to the claimant or subsidy recovered from the DWP. As such, we reported the errors detected to the DWP as an observation in our qualification letter only.
- From an initial sample of twenty Rent Allowance cases:
 - we identified four cases, with total value £23,039, where the claim forms could not be traced and the Council was unable to produce evidence that 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 storage archive. As in prior years we reported this matter to the DWP in our qualification letter; and
 - we identified two cases where State Retirement Pension (SRP) had been incorrectly uprated causing the underpayment of benefit with total value of £24. Extended testing was performed to the sub population of cases which have SRP. The testing identified fifteen cases where SRP had been incorrectly uprated with no impact on benefit paid and two further underpayments of benefit with total value of £55. For the underpayments, amendments have been made to individual claims in 2016-17, ensuring that the benefit paid to claimants has been corrected. We reported these findings to the DWP in our qualification letter.

2. 2015-16 certification fees

PSAA determine an indicative fee each year for the audit of claims and returns. For 2015-16, these indicative fees were published by the PSAA in April 2015 and are now available on the PSAA website (www.psa.co.uk).

Claim or return	2014-15	2015-16	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Total Housing benefits subsidy claim	13,217	7,847	7,847

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 £9,913. This was prescribed by PSAA in March 2016, based on no changes to the work programme for 2016-17.

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 would discuss the matter with the Head of Finance & Governance Services before seeking any such variation.

4. 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	For 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 all manual adjustments to the claim form are carefully reviewed to ensure they have been accurately made.	M	For 2016/17 the Council will ensure that all manual adjustments made as a result of system validation reports are carefully reviewed to ensure they have been accurately made. Particular focus will be placed on ensuring all necessary adjustments (both Non HRA Rent Rebates and Rent Allowances) from the BENCHK 087 report are made. It was an omitted adjustment from this validation report that resulted in the most significant adjustments to subsidy that were reported in Section 2.	From 2016/17.	Revenues and Benefits Manager

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