

Certification of claims and returns annual report 2014-15

New Forest District Council

22 January 2016

Ernst & Young LLP



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Dear Members

Certification of claims and returns annual report 2014-15 New Forest District Council

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

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 one 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 £43,583,339. We met the submission deadline and we issued a qualification letter in respect of the 2014-15 claim. Our certification work found errors, which were reported in our qualification letter to the Department of Works and Pensions. There were no amendments made to the claim. Fees for certification work are



summarised in section two. 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).

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee on 22 January 2016.

Yours faithfully

Helen Thompson
Executive Director
Ernst & Young LLP

Contents

1. Housing benefits subsidy claim	1
2. 2014-15 certification fees	2
3. Looking forward	4

1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£43,583,339
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2014-15	£5,670
Fee – 2013-14	£7,322

Recommendations from 2013-14	Findings in 2014-15
Qualification issues from 2013/14 were followed up as part of the 2014-15 audit.	Three errors on rent allowance testing, resulting in a qualification of the 2014/15 claim – as set out below.

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.

Rent Allowance

In our initial testing of a sample of rent allowances cases we identified three errors.

- ▶ two cases where benefit had been underpaid as a result of the Council miscalculating the claimant's average weekly income;
- ▶ one case where the Council had overpaid benefit as a result of miscalculating the claimant's weekly income.

Each of these error types is dealt with separately below.

Underpaid benefit

As there is no eligibility to subsidy for benefit which has not been paid, the two underpayments identified did not affect the subsidy and have not, therefore, been classified as errors for subsidy purposes. However, because errors miscalculating the claimant's average weekly income could result in overpayments, an additional random sample of 40 cases was tested. We found one further underpayment which did not impact on the subsidy claimed.

Overpaid benefit

The testing of the initial sample identified one case, total benefit value of £5,270, where the Council had overpaid benefit of £15.81 as a result of miscalculating the claimant's weekly income. Testing of an additional sample of 40 cases identified a further four cases (total benefit value of £13,285) where overpayments of £196.23 were made, again as a result of miscalculating the claimant's weekly income.

We reported the facts of this error in the qualification letter sent to the DWP.

2. 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).

Claim or return	2013-14	2014-15	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	7,322	5,670	5,670
Total	7,322	5,670	5,670

The indicative fee for 2013-14 was based on actual certification fees for 2011-12, reflecting the amount of work required by the auditor to certify the claim in that year.

For 2014/15, the indicative certification fee was based on actual certification fees for 2012-13, reflecting the amount of work required by the auditor to certify the claim in that year.

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 2015-16 is £5,492. 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 2013-14.

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 Chief Finance Officer before seeking any such variation.

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