

# Certification of claims and returns annual report 2015-16

Braintree District Council

December 2016

Ernst & Young LLP



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working world

The Members of the Governance Committee  
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9 December 2016

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Dear Members

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

This report summarises the results of our work on Braintree Council's 2015-16 Housing Benefit Subsidy Claim.

### 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 £42.3 million. We met submission deadline and issued a qualification letter in relation to the housing benefit claim which detailed a number of issues identified as a result of our work. A copy of the qualification letter is included in Appendix A. Our certification work found some errors with the Modified Scheme which the Council corrected. The amendments had a marginal effect on the grant due, increasing subsidy due to the Council by £778.

We followed up the issues identified by BDO in relation to the housing benefit claim following the completion of their certification work for 2014/15. Remedial work to address their findings has been underway during the year and aimed to ensure improvements were made in 2015-16. We are pleased to report that these improvements were evident and very few errors were identified. Further details of our findings are included in section 1 of this report.



Fees for certification work are summarised in section 2. The housing benefits subsidy claim fees for 2015-16 were published by the Public Sector Appointments Ltd (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 next Governance Committee.

Yours faithfully

Kevin Suter  
Executive Director  
Ernst & Young LLP  
Enc

Contents

1.   **Housing benefits subsidy claim.....1**  
2.   **2015-16 certification fees.....3**  
3.   **Looking forward.....4**  
4.   **Summary of recommendations.....5**  
Appendix A: Housing benefits claim 2015-16 – Qualification Letter.....6

# 1. Housing benefits subsidy claim

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.

Details of the audit work undertaken in relation to this claim and our findings are summarised below:

Scope of work	Results
Value of claim presented for certification	£42,384,682
Amended	Yes - certified claim increased by £778 to £42,385,460
Qualification letter	Yes
Fee - 2015-16 (Actual)	£13,728
Fee - 2014-15 (actual)	£18,370
Recommendations from 2014-15:	Findings in 2015-16
BDO's work in 2014/15 identified the following recommendations;	Our audit work identified a smaller number of errors as outlined below and in Appendix A.
<ul style="list-style-type: none"> <li>Discuss with Civica how the issue with the off-setting of modified scheme expenditure can be rectified so that it does not re-occur in future years. If the issue cannot be fixed, manually review the cases to ensure that they are correctly reflected in the subsidy.</li> </ul>	Civica provided a fix for the Modified scheme setting off issue during April 2015; however it did not correct all cases. As Braintree has a small number of cases (15) each case was audited and the 2015/16 subsidy return appropriately adjusted.
<ul style="list-style-type: none"> <li>Continue to remind staff the importance of ensuring that the correct income information is used in benefit calculations. Provide targeted training for staff that repeatedly make such errors.</li> </ul>	We found no errors within our additional testing of the accuracy of Tax Credits applied.

Our certification work of the housing benefit subsidy claim is undertaken in line with the approach agreed with the DWP, which requires detailed testing of individual benefit cases.

The certification guidance also 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.

Our initial testing in 2015-16 identified:

- One small underpayment which occurred as a result of client capital not being adjusted once proofs were received.
- One small overpayment as a result of pension income being incorrectly input. (£57 instead of £57.34)

- Modified scheme errors – we undertook extended testing of all 15 modified scheme cases. We identified one error where war pension had not been updated correctly and 3 errors where Civica had not apportioned the local scheme correctly.

In addition, based on previous years' findings we also undertook the following extended testing:

- Rent Allowances– we undertook extended testing on the sub population of Cases with Working Tax Credits (WTC) and or Child Tax Credits (CTC) (40 cases);
- Rent Allowances – we undertook extended testing on the sub population of cases with private pension income (40 cases)

We agreed with the Council that the benefits team would perform most of the initial and half the additional testing, and we would re-perform a sample of the cases to confirm we could place reliance on the benefit's team's work. We would like to note that the quality of the testing undertaken by the Council's team was excellent, and we were able to place full reliance on it.

We reported underpayments, uncertainties and the extrapolated value of other errors in our qualification letter to the DWP, which is attached at Appendix A. On the basis of the information within the qualification letter, the DWP will decide on the appropriate course of action, which may include whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid on the basis of the extrapolated figures reported in the qualification letter.

Testing of all the Modified Scheme cases identified errors which the Council amended. These changes had a small net impact on the claim, increasing the overall subsidy amount due to the Council by £778.

Members may wish to note that although the individual errors identified as a result of audit are small, under the requirements of the Certification Instruction there is no materiality applied to our work on the claim and every error above rounding has to be reported. The errors identified from the sample testing are extrapolated across the total population of cases in our reporting to the DWP. Consequently a small error on individual cases can result in a larger extrapolated error, and potential recovery of subsidy paid to the Council by the DWP.

## 2. 2015-16 certification fees

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

Claim or return	2014-15	2015-16	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	£18,370	£13,728	13,728
Total	£18,370	£13,728	13,728

There is a reduction in the actual fee compared to 2014-15. 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.

### 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 £13,778. 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 you before seeking any such variation.

The 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 reporting accountant and 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.



## 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
Continue with the agreed actions taken to address the recommendations made in previous years	High	The previous agreed actions have provided positive results and provided a strong base for keeping the error rate low.	Ongoing	J Rigby

## Appendix A: Housing benefits claim 2015-16 – Qualification Letter

Department for Work and Pensions  
Housing Benefit Unit  
Room B120D  
Warbreck House  
Blackpool  
Lancashire  
FY2 0UZ

29 November 2016

Ref: EY/Braintree DC/BEN01:  
Your ref:

Direct line: +44 (0) 7876 397986

Email: ksuter@uk.ey.com

Dear Sir/Madam

**Braintree District Council**  
**Housing benefit subsidy claim for the year ended 31 March 2016 (Form MPF720A)**  
**Qualification Letter referred to in the Auditor's Certificate dated 29 November 2016**

Details of the matters giving rise to my qualification of the above claim are set out in the Appendix to this letter.

The factual content of my qualification has been agreed with officers of the Authority.

No amendments have been made to the claim for the issues raised in this qualification letter unless otherwise indicated in the letter.

Yours faithfully

Kevin Suter  
Executive Director  
For and on behalf of Ernst & Young LLP  
United Kingdom

## Qualifications

**Cell 094: Rent Allowance – Total expenditure (Benefit Granted)**

**Cell Total £42,581,544**

**Cell Total £2,544,079 – Sub Population**

**Cell Population 10,323**

**Headline Cell £42,581,544**

Testing of the initial sample identified 1 case where benefit had been underpaid (£13) as a result of an error in assessing capital. As there is no eligibility to subsidy for benefit which has not been paid, the 1 underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes.

This error has been treated as an isolated error because a review of the last five year's QL letters has not identified any similar cases, no other cases have been identified in this year's testing and the Authorities internal checking procedures have not identified any similar issues. No further underpayments and no overpayments were identified.

Last year's testing identified benefit overpayments due to incorrect Working Tax Credits (WTC) and Child Tax Credits (CTC) and Incorrect Private Pensions. Therefore 2 additional random samples of 40 cases were selected for testing;

- from a subpopulation of claimants with WTC and/or CTC and
- from a subpopulation of claimants with Private Pensions.

Testing of the additional random sample of 40 cases from a sub population where claimants were in receipt of WTC/CTC identified no errors.

Testing of the additional sample of 40 cases from a sub population where claimants were in receipt of Private Pensions identified 1 case where the private pension had been incorrectly recorded as £57 per month instead of £57.34 per month resulting in a small overpayment of benefit.

The result of my testing is set out in the table below:

Sample:	Movement / brief note of error:	Original cell total:- sub population	Sample error:	Sample value:	Percentage error rate:	Cell adjustment:	Revised cell total if cell adjustment applied:
		(SP)	[SE]	[SV]	[SE/SV]	[SE/SV times SP]	[RA]
<b>Initial sample - 20 cases No cases where Private Pension applied</b>	Cell 094 no overpayment errors.	£2,544,079	(£0)	£0			
<b>Additional sample - 40 cases from Sub Population Private Pensions</b>	Cell 094 Additional sample– 1 overpayment error.	£2,544,079	(£1.32)	£123,798			
<b>Combined Sample – 60 cases</b>	<b>error on private pension.</b>	<b>£2,544,079</b>	<b>(£1.32)</b>	<b>£123,798</b>	<b>(0.00106%)</b>	<b>(£26.97)</b>	
<b>Adjustment</b>	Cell 102 is overstated.	£2,544,079	(£1.32)	£123,798	(0.00106%)	(£26.97)	
<b>Total Corresponding adjustment</b>	<b>Cell 113 is Understated.</b>					<b>£26.97</b>	

The percentage error rate in my sample reflects the individual cases selected. The value of the error found was 1.32 and the benefit period was 22 weeks.

Given the nature of the population and the variation in the errors found, it is unlikely that even significant additional work will result in amendments to the claim form that will allow me to conclude that it is fairly stated.

***Other matters***

There are no other matters that I wish to bring to the attention of the DWP.

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