

Certification of claims and returns annual report 2014-15

Uttlesford District Council

December 2015

Ernst & Young LLP



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The Members of the Performance and Audit Committee
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22 December 2015

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Dear Members

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

This report summarises the results of our work on Uttlesford 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 1 of this report outlines the results of our 2014-15 certification work and highlights the significant issues.

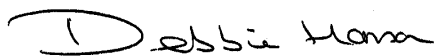
We checked and certified the housing benefits subsidy claim with a total value of £16.8 million. We met submission deadline and issued a qualification letter in relation to the housing benefit claim which detailed a number of issues identified as a result of our work. A copy of the qualification letter is included in Appendix A. Our certification work found some errors which the Council corrected. The amendments had a marginal effect on the grant due, increasing subsidy due to the Council by £2,087.

We made a number of recommendations in relation to the housing benefit claim following the completion of our audit last year. Remedial work to address our findings has been underway during the year and aimed to ensure improvements were made in 2014-15. We are pleased to report that we identified considerable improvement in the accuracy of claims processing. Although, errors were still identified these were on the whole lower in value and number and consequently had a much smaller impact on the final subsidy claimed. Further details of our findings are included in section 1 of this report.

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). The additional fee of £4,863 we have proposed for the 2014-15 housing benefit work has been agreed with the Director of Finance and Corporate Services and is now subject to approval by PSAA.

We welcome the opportunity to discuss the contents of this report with you at the next Performance and Audit committee.

Yours faithfully



Debbie Hanson
Director
Ernst & Young LLP
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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	£16,786,500
Amended	Yes - certified claim increased by £2,087 to £16,788,587
Qualification letter	Yes
Fee - 2014-15 (actual)	25,903 (inc £4,863 additional fee)
Fee - 2013-14 (actual)	£31,411 (inc £12,198 additional fee).
Fee - 2012-13 (actual)	£51,157 (inc £32,257 additional fee)
Fee - 2011-12 (actual)	£34,410
Recommendations from 2013-14:	Findings in 2014-15
<p>Our work identified a number of areas for improvement. Recommendations included;</p> <ul style="list-style-type: none"> • Implement a continuous review of the remedial arrangements put in place; • Introduce regular feedback from the review process to assessors. • Develop clear reporting and regular monitoring arrangements. • Ensure direct management oversight and regular reporting to the Audit and Performance Committee 	<p>Our audit work identified a smaller number of errors as outlined below and in Appendix A.</p> <p>Our findings therefore indicate that remedial work undertaken to address the recommendations made in previous years is having a positive impact. We recommend that this work continues to ensure improvements achieved to date are embedded and further improvements in the accuracy of processing achieved.</p>

Members will note that our findings, as set out in this section of the report, represent a considerable improvement from the previous year. This reflects the remedial work, which commenced in January 2014, to address the 2012-13 findings and has included; additional checking of all new claims and claims with state pensions, checking of 10% of claims with earned income, review of procedures, on the job training and reminders for claim assessors and additional resources dedicated to review. This, along with a continuous review of arrangements and feedback from the review process, has ensured that improved accuracy of assessment has been achieved.

Our audit of the housing benefit 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. We found errors in several areas and were therefore required to carry out extended testing in a number of areas.

Extended and other testing also 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 £2,087.

We reported underpayments, uncertainties and the extrapolated value of other errors in our qualification letter to the DWP, which is attached at Appendix A. The DWP decides 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.

The main issues we identified from our initial testing in 2014-15 were:

- Income assessment errors – as a result we undertook extended testing for non HRA rent rebates (6 cases), rent rebates (40 cases) and rent allowances (40 cases);
- Misclassification of overpayments as eligible rather than due to administrative delay – as a result we undertook extended testing for rent rebates (40 cases) and rent allowances (40 cases)
- Modified scheme errors – we undertook extended testing of all 10 modified scheme cases
- Errors within manual adjustments – as a result we undertook additional testing of 10% of manual adjustments

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

- Incorrect start date – we undertook extended testing on the sub population of new claims (40 cases);
- 15 weeks protected period awarded rather than the permitted 13 weeks – we undertook extended testing on the sub population of cases awarded a protected period (40 cases)

We agreed with the Council that the benefits team would perform most of this additional testing and we would re-perform a sample of the cases to confirm we could place reliance on the Council's work. The outcome of this additional testing and the potential impact on the Council's claim is documented within the qualification letter to the DWP and attached at Appendix A. We would note that the quality of the 40+ testing undertaken by the Council's team was much improved this year and we were able to place full reliance on it.

Members may wish to note that although the individual errors identified as a result of audit are generally 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. 2014-15 certification fees

The Audit Commission determines 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.psaa.co.uk).

Claim or return	2013-14	2014-15	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	£30,411	£21,040	25,903
Total	£30,411	£21,040	25,903

There is a reduction in the actual fee compared to 2013-14 which reflects the improved accuracy of processing within the benefits team.

We have however proposed a scale fee variation of £4,863 in addition to the indicative scale fee of £21,040. The proposed variation reflects the additional testing undertaken as part of the certification of the claim, as set out in this report.

3. Other assurance work

During 2014-15 we also acted as reporting accountants in relation to the following scheme:

- ▶ Housing pooling return.

This work has been undertaken outside the Audit Commission/PSAA regime, and the fees for this are not included in the figures included above. It is referred to here for completeness to ensure to ensure Members have a full understanding of the various returns on which we provide some form of assurance. We did not identify any significant issues as part of this work that need to be brought to the attention of Members. We have provided a separate report to the Council in relation to this return.

4. 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 Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2015-16 is £22,808. 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.psaa.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 Director of Finance and Corporate Services before seeking any such variation.

5. Summary of recommendations

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

Recommendation	Priority	Agreed action and comment	Deadline	Responsible officer
Housing benefits subsidy claim				
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 reducing the error rate. We will continue to work with and develop the process' in place	Ongoing	Assistant Director of Finance

Appendix A: Housing benefits claim 2014-15 – Qualification Letter

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

Dear Sir / Madam

Uttlesford District Council
Housing Benefit & Council Tax Benefit claim for the year ended 31 March
2015 (Form MPF720A)
Qualification Letter referred to in the Auditor's Certificate dated 26
November 2015

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

The factual content of our 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.

Yours faithfully

Debbie Hanson
Director
For and on behalf of Ernst & Young LLP
United Kingdom

Cell 11: Rent Rebates (Tenants of Non-HRA Properties) – Total expenditure (Benefit Granted)

Cell Total £51,642

Cell Population 34

Testing of the initial sample of 7 claims did not identify any cases with errors. However, based on last year's findings we tested the whole population for income assessment errors

Additional testing found 2 income assessment errors (value £10 underpayment):

- One error led to an underpayment (£10). As there is no eligibility to subsidy for benefit which has not been paid, this underpayment does not affect subsidy and has not been classified as an error for subsidy purposes.
- The second case with an income assessment error had no impact on entitlement.

Cell 55: Rent Rebates – Total expenditure (Benefit Granted)

Cell Total £6,959,291

Cell Population 1,817

Testing of the initial sample identified 4 cases with errors. These are separately shown below:

- 1 case where the authority had underpaid and overpaid benefit as a result of an income assessment error and where overpayments had been wrongly classified in cell 66 (technical) and should be in cell 67 (eligible).
- 3 cases where overpayments had been wrongly classified in cell 66 (technical) and should be in cell 67 (eligible).

Each of these error types is dealt with separately below.

Underpaid benefit

The initial sample found one case with an underpayment (total value £28).

Given the nature of the population, last year's findings and the income assessment error found, an additional random sample of 40 cases was selected from the headline cell.

The additional testing, identified a further 2 cases where benefit had been underpaid (total value £35) due to income assessment errors.

As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes.

Overpaid benefit

Testing of the initial sample identified 1 case (total value £4) where the Authority had miscalculated the claimant's income. Failure to calculate the claimant's income correctly resulted in the overpayment of subsidy. The effect of this error is to overstate cell 61 with a corresponding understatement of LA overpayment error cell 65; there is no effect on cell 55.

Given the nature of the population, last year's findings and the errors found, an additional random sample of 40 cases was selected for testing from the headline cell. The additional testing identified a further 4 cases (total value £631) where the Authority had overpaid benefit, as a result of income assessment errors. The effect of the errors is to overstate cell 61 with a corresponding understatement of LA error overpayments cell 65; there is no effect on cell 055.

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

Sample:	Movement / brief note of error:	Headline Cell:	Sample error:	Sample value:	Percentage error rate:	Cell adjustment:	Revised cell total if cell adjustment applied:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]	[RA]
Initial sample - 20 cases	income assessment errors	£6,959,291	(£4)	£79,907			
Drill down sample - 40 cases	income assessment errors	£6,959,291	(£631)	£145,074			
Combined sample - 60 cases	income assessment errors	£6,959,291	(£635)	£224,981	(0.282%)	(£19,625)	
Adjustment	Cell 61 is overstated.	£6,959,291	(£635)	£224,981	(0.282%)	(£19,625)	
Total Corresponding adjustment	Total understatement of cell 65.					£19,625	

The percentage error rate in our sample reflects the individual cases selected. The value of the errors found range from £1 to £284 and the benefit periods range from 1 week to 49 weeks. Similar findings were included in my qualification letter last year.

Given the nature of the population it is unlikely that even significant additional work will result in amendments to the claim form that will allow us to conclude that it is fairly stated.

Misclassified Technical overpayments

The initial sample found four cases with a misclassification of overpayment (total value £26). As the Authority receive no subsidy on technical overpayments this error will always result in an under claim of subsidy and therefore no further testing has been taken.

Cell 67: Rent Rebates – Eligible Overpayments (Current Year)
 Cell Total £46,620
 Cell Population 375

Our initial testing of claims in Cell 55 did not identify any eligible overpayment misclassifications. However based on our audit knowledge from the prior year an additional random sample of 40 cases with overpayments was selected for testing from cell 67.

Additional testing identified 2 cases where overpayments had been misclassified in cell 67 eligible excess (£28), which should have been classified as: LA error and administrative delay in cell 65 (£28),

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

Sample:	Movement / brief note of error:	Original cell total:	Sample error:	Sample value:	Percentage error rate:	Cell adjustment:	Revised cell total if cell adjustment applied:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]	[RA]
Initial sample -	Misclassification of overpayment	£46,620	(£0)	£392			
Drill down sample - 40 cases	Misclassification of overpayment	£46,620	(£28)	£8,091			
Combined sample – 60 cases	Misclassification of overpayment	£46,620	(£28)	£8,483	(0.33%)	(£154)	
Adjustment	Cell 65 is understated.	£46,620	£28	£8,483	(0.33%)	£154	
Total Corresponding adjustment	Total overstatement of cell 67.					(£154)	

The percentage error rate in my sample reflects the individual cases selected. The value of the errors found range from £1 to £28 and the benefit period was 1 week. Similar findings were included in my qualification letter last year.

Given the nature of the population and the variation in the errors found it is unlikely that even significant additional work will result in an amendment to this cell that will allow me to conclude it is fairly stated.

Cell 94: Rent Allowances – Total expenditure (Benefit Granted)

Cell Total £9,953,978

Cell Population 2,185

Testing of the initial sample identified 2 cases with errors:

- 1 cases where the Authority had overpaid benefit as a result of error in calculation of earnings,
- 1 case with overpaid benefit as a result of error in assessing tax credits and an error in assessing capital which did not impact on entitlement.

Overpaid benefit

Two income assessment errors (total value £6). Failure to calculate the claimant's income correctly results in the overpayment of benefit. The effect of this error is to overstate cell 102 (£1) and overstate cell 103 (£5) with a corresponding understatement of LA overpayment cell 113 (£6); there is no effect on cell 94.

An additional random sample of 40 cases was selected for testing from the subpopulation of cases where there is assessed income. The additional testing identified a further 6 cases (total value £334) where the Authority had overpaid benefit, as a result of income assessment errors. The effect of the errors is to overstate cell 102 (£309), cell 103 (£25) with a corresponding understatements of LA error overpayments cell 113 (£334); there is no effect on cell 094.

The results of my testing are set out in the table below:

Sample:	Movement / brief note of error:	Headline cell:	Sample error:	Sample value:	Percentage error rate:	Cell adjustment:	Revised cell total if cell adjustment applied:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]	[RA]
Initial sample - cases	income assessment errors	£9,953,978	£6	£97,577			
Drill down sample - 40	income assessment errors	£9,953,978	£334	£191,661			
Total – 60 cases	income assessment errors	£9,953,978	£340	£289,238	0.117%	(£11,646)	
Adjustment	Cell 102 is overstated	£9,953,978	£310	£289,238	0.107%	(£10,651)	
Adjustment	Cell 103 is overstated.	£9,953,978	£30	£289,238	0.010%	(£995)	
Total Corresponding adjustment	Total understatement of cell 113.					£11,646	

Similar findings were included in my qualification letters last year. The percentage error rate in our sample reflects the individual cases selected. The value of the errors range from £1 to £101 and the benefit periods range from 1 week to 15 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 us to conclude that it is fairly stated

Underpaid benefit

Our initial testing did not identify any underpayments. Testing of an additional random sample of 40 cases, identified 9 cases where benefit had been underpaid (total value £1,510) due to income assessment errors.

As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified does not affect subsidy and has not, therefore, been classified as an error for subsidy purposes.

Overpaid benefit – incorrect start date

Last year's testing identified benefit overpayments due to incorrect start dates. Therefore an additional random sample of 40 cases was selected for testing from a subpopulation of new claims. Our initial sample in 2014/15 did not identify any start date errors.

The additional testing identified 1 case (total value £14) where the Authority had overpaid benefit, as a result of an incorrect start date. The effect of the errors is to overstate cell 102 and understate LA overpayment error cell 113; there is no effect on cell 94.

The results of my testing are set out in the table below:

Incorrect start date: overpaid

Sample:	Movement / brief note of error:	Original cell total:	Sample error:	Sample value:	Percentage error rate:	Cell adjustment:	Revised cell total if cell adjustment applied:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]	[RA]
Drill down sample – 40	Incorrect start date	£9,953,978	(£14)	£114,393	0.012%	(£1,194)	
Adjustment	Cell 103 is overstated.					(£1,194)	
Total Corresponding adjustment	Total understatement of cell 113.					£1,194	

The percentage error rate in our sample reflects the individual cases selected. The value of the error was £14 and the benefit period was 1 day.

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

Other errors

In 2013/14 the claim was revised to exclude overpaid benefit where the Authority had applied a protection period for more than the 13 week protected period. Although our initial cell 94 testing for 2014/15 did not find any further errors, the Authority tested all claims in 2014/15 with the 13 week protected period indicator flagged. No errors were identified.

Cell 114: Rent Allowances – Eligible Overpayments (Current Year)
 Cell Total £147,696
 Cell Population 586

Our initial testing of claims in Cell 94 did not identify any eligible overpayment misclassifications. However based on our audit knowledge from the prior year an additional random sample of 40 cases with overpayments was selected for testing from cell 114.

Testing of an additional sample of 40 cases from cell 114 eligible excess overpayments, identified 5 cases where overpayments had been misclassified in cell 114 eligible excess (£403) which should have been classified as LA error and Administrative delay benefit in cell 113 overpayments.

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

Sample:	Movement / brief note of error:	Original cell total:	Sample error:	Sample value:	Percentage error rate:	Cell adjustment:	Revised cell total if cell adjustment applied:
		[CT]	[SE]	[SV]	[SE/SV]	[SE/SV times CT]	[RA]
Initial sample -	Misclassification of overpayment	£147,696	£0	-£51			
Drill down sample - 40 cases	Misclassification of overpayment	£147,696	£403	£12,804			
Combined sample - 60 cases	Misclassification of overpayment	£147,696	£403	£12,753	3.16%	(£4,667)	
Adjustment	Cell 113 is understated.	£147,696				£4,667	
Total Corresponding adjustment	Total overstatement of cell 114.					(£4,667)	

The percentage error rate in our sample reflects the individual cases selected. The value of the errors range from £1 to £288 and the benefit periods range from 1 week to 9 weeks. Similar findings were included in my qualification letters last year.

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 us to conclude that it is fairly stated.

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