

Certification of claims and returns annual report 2015-16

Watford Borough Council

7th February 2017

Ernst & Young LLP



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Dear Members

Certification of claims and returns annual report 2015-16 Watford Borough Council

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Watford Borough Council's 2015-16 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.

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 £40,223,237. We certified the claim on the 13th December after the submission deadline of the 30th November due to delays in receiving the completed extended testing back from the Council to check. We issued a qualification letter and details of the qualification matters are included in section 1. Our certification work found errors which the Council corrected. The amendments had a marginal effect on the grant due.

We have made two recommendations this year, set out in section 4.

Fees for certification and other returns work are summarised in section 3. The housing benefits subsidy claim fees for 2015-16 were published by the Public Sector Audit Appointments Ltd (PSAA) in March 2015 and are now available on the PSAA's website (www.psaa.co.uk).



We welcome the opportunity to discuss the contents of this report with you at the 16 March 2017 Audit Committee.

Yours faithfully

Andrew Brittain
Director
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Contents

1. Housing benefits subsidy claim1

2. 2015-16 certification fees3

3. Looking forward4

4. Summary of recommendations5

1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£40,223,837
Amended/Not amended	Amended – subsidy reduced by £600
Qualification letter	Yes
Fee – 2015-16	£15,380
Fee – 2014-15	£36,027

Recommendations from 2014-15	Findings in 2015-16
This is EYs first year as auditor we did not make any recommendations in the prior year.	Extended testing was not completed in time to meet the claim deadline and workbooks were not always completed to the required standard. Further details of these findings are included in section 4.

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. We found errors and carried out extended testing in the following areas:

- Rent rebates - Initial testing identified one case where the Authority had overpaid benefit as a result of miscalculating the claimant's weekly income. Because of the error identified by our initial testing, extended testing on a sample of 40 cases was undertaken. This testing identified a further fifteen instances where the claimants income had been incorrectly assessed. These resulted in the overpayment of benefit (eight cases) and the underpayment of benefit (seven cases). We reported the effect of these errors (a potential reduction in benefit eligible for subsidy of £5,299) in our qualification letter.
- Rent rebates - Initial testing identified one case where the Authority had overpaid benefit as a result of miscalculating the claimant's weekly rent. Because of the error identified by our initial testing, extended testing on a sample of 40 cases was undertaken. This testing identified a further seven instances where the claimants rent had been incorrectly assessed. These all resulted in the overpayment of benefit. We reported the effect of these errors (a potential reduction in benefit eligible for subsidy of £354) in our qualification letter.
- Rent Allowances – Initial testing identified one case where the Authority had underpaid benefit as a result of using the incorrect LHA rate. Because errors using the incorrect LHA rate could result in overpayments extended testing on a sample of forty cases was undertaken. This testing identified a further two instances where the claimants income had been incorrectly assessed. These resulted in the overpayment of benefit (one case) and the underpayment of benefit (one case). We reported the effect of the overpayment errors (a potential reduction in benefit eligible for subsidy of £2,871) in our qualification letter.

In addition, the Council undertook full population testing on Rent Allowance cases in receipt of Widowed Parents Allowance due to an error identified in the initial testing on these cases. The testing identified errors which the Council amended. They had a small net impact on the claim (reduction of subsidy entitlement of £600).

We have reported underpayments, uncertainties and the extrapolated value of other errors in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid.

2. 2015-16 certification fees

The PSAA determine a scale fee each year for the audit of claims and returns. For 2015-16, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) in March 2015 and are now available on the PSAA's website (www.psaa.co.uk).

Claim or return	2015-16	2015-16	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	15,268	8,316	36,027

This is the first year EY have carried out the Housing Benefit Subsidy claim for Watford Borough Council so we are unable to comment on the work undertaken in the prior year.

The variation from the indicative fee in 2015-16 is due to an additional fee of £6,952 charged for the certification work. This was due to delays in receipt of extended testing, lack of system availability and additional work required on workbooks completed by the Council.

The housing benefit subsidy fee is still subject to approval by PSAA.

3. Looking forward

The duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work is delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2016-17 is £23,837. 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 the director of finance before seeking any such variation.

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 auditor and this is likely to include 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
Housing benefits subsidy claim – Work to an agreed timetable to ensure all work is completed by the 30 th November 2017 deadline	High	Agreed	Sept 2017	Jude Green
Housing Benefit subsidy claim – Ensure workbooks are fully completed.	High	Agreed	Sept 2017	Jude Green

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