

Certification of claims and returns annual report 2014-15

Portsmouth City Council

8 January 2016

Ernst & Young LLP



EY

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Dear Members

Certification of claims and returns annual report 2014-15 Portsmouth City Council

We are pleased to report on our 2014/15 certification work carried out under the Audit Commission framework. This report summarises the results of our work on Council's 2014-15 Housing Benefits 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.

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 £109,569,689. We met the submission deadline. We issued a qualification letter – details of the qualification matters are included in section 1. We have not made any recommendations for improvement.



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).

We welcome the opportunity to discuss the contents of this report with you at the 29 January 2016 Governance & Audit & Standards Committee.

Yours faithfully

Kate Handy
Executive Director
For and on behalf of Ernst & Young LLP
Southampton

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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£109,569,689
Amended/Not amended	Amended – Cell 094 was adjusted although there was no effect on the subsidy claimed.
Qualification letter	Yes
Fee – 2014-15	£22,928
Fee – 2013-14	£23,729

Recommendations from prior year 2013/14 and findings:

None

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 Authority notified us that they made one amendment to the claim following submission. Cell 094 was input incorrectly, the cell had been increased by a factor of 10. This input error did not affect the subsidy claimed by the Authority.

Our testing identified a number of errors in the calculation and classification of benefits awarded to claimants during the year, as presented in the subsidy claim:

Rent Allowances

Miscalculation of wages:

- For 1 of the 20 cases tested, benefit had been underpaid as a result of the Council miscalculating the claimant's average weekly income. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified did not affect subsidy and has not, therefore, been classified as an error 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. The additional testing identified 1 further error. This error had nil effect on the subsidy paid, creating neither an under or an overpayment.
- As neither error resulted in an overpayment of benefit, no extrapolation was required.

Misclassification of overpayments:

- Testing of the initial 20 cases identified 1 case where an overpayment was incorrectly classified. Cell 114 (eligible overpayments) was overstated and cell 113 (LA error) was correspondingly understated. There was no effect on cell 094.
- As the misclassification affects how much subsidy the authority can reclaim an additional sample of 40 cases was tested. From this, we identified one further case where the claim has been incorrectly classified. Again, the overpayment should have been classified in cell 113 (LA error) not cell 114 (eligible overpayments).

- The total value of the two misclassifications was £58.04. When extrapolated over the total cell 114 population the total error identified was £5,390.30.

Backdated payments:

- Testing of the initial sample identified 1 case where the claim was incorrectly included in cell 131 (Backdated Expenditure). There was no effect on cell 094, or the subsidy paid.
- Testing of an additional random sample of 40 cases identified 8 further errors. These errors all resulted in an overstatement of cell 131.
- The total error identified was £458.82, when extrapolated over the total value of cell 131 this gave a total error of £5,996.22.

Non HRA Rent Rebates:

Miscalculation of wages:

- For 1 of the 20 cases tested, benefit had been underpaid as a result of the Council miscalculating the claimant's average weekly income. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment identified did not affect subsidy and has not, therefore, been classified as an error 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. The additional testing identified 6 further errors. Of these errors 2 resulted in an overpayment of benefit.
- The errors resulting in an overpayment of subsidy totalled £594.67. As the Council were able to identify all Non-HRA Rent Rebate claims which included wages, we have extrapolated the error over these claims only. The total extrapolated error was £948.09. This represents an overstatement of cell 014 and an understatement of cell 026.

Backdated payments:

- Testing of the initial sample identified four cases where the claim was incorrectly included in cell 038 (Backdated Expenditure). There was no effect on cell 011 or the subsidy paid.
- Cell 038 had a total population of 52 claims. We were therefore able to test the classification of the claims in totality. From the remaining 32 cases we identified a further 24 further errors, where the claim tested should not have been included in cell 038.
- The total error in cell 038 was £3,708.39.

Modified Schemes

- Testing of the initial sample identified 1 case where the modified scheme had been input at the incorrect rate. This caused cell 225b (Modified Schemes - Rent Rebates) to be understated and cell 061 (Rent Rebates Expenditure) to be correspondingly overstated.
- The Council had already identified and corrected all claims containing this error in 15/16. They had reviewed all Rent Rebate Modified Scheme cases prior to the audit. This enabled 100% of the population to be tested.

- The total overstatement of cell 225b, and therefore corresponding understatement of cell 061, was £1,148.65.

The claim has not been amended for any of the above errors identified.

As well as testing the calculation of individual benefits awards, the certification instructions require further tests including reviewing the reconciliation of benefit awarded to benefit paid during the year. We have confirmed the authority has reconciled the in-year reconciliation cells but when input to the claim form, one minor rounding difference was created.

We have reported the above findings and results of the 40+testing to the DWP in a qualification letter.

The DWP then decides whether to ask the Council to carry our further work to quantify the error or to claw back the benefit subsidy paid.

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	23,729	20,060	22,928 ¹
Pooling of housing capital receipts	735	-	-
Local Transport Plan Major Projects	4,601	-	-
Total	29,065	20,060	22,928

¹ Because of the additional levels of 40+ testing required this year, we have agreed a scale fee variation with officers, but this is still subject to approval by PPSA

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 £17,797. 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 2014-15.

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 S151 Officer, Chris Ward before seeking any such variation.

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