

Certification of claims and returns annual report 2015-16

Isle of Wight Council

January 2017

Ernst & Young LLP



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Dear Members

Certification of claims and returns annual report 2015-16

We are pleased to report on our certification work. This report summarises the results of our work on Isle of Wight Council's 2015-16 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.

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 issues identified.

We checked and certified the housing benefits subsidy claim with a total value of £51,058,157. We met the submission deadline for this work. We issued a qualification letter and details of this are included in section 1. In addition, our certification work found errors which the Council corrected in the final version of the subsidy claim. These amendments resulted in a small amount of expenditure being reclassified but had no net impact on the grant due.

Fees for certification and other returns work are summarised in section 2. The housing benefits subsidy claim fees for 2015-16 were published by PSAA in March 2015 and are now available on their website (www.psa.co.uk).



We welcome the opportunity to discuss the contents of this report with you at the meeting of the Audit Committee on 13 February 2017.

Yours faithfully

Helen Thompson
Executive Director
For and on behalf of Ernst & Young LLP
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£51,058,157
Amended/Not amended	Amended – no net impact on subsidy
Qualification letter	Yes
Fee – 2015-16	£14,711
Fee – 2014-15	£22,770

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 DWP require appropriately qualified auditors to certify housing benefit subsidy claims, and determine the methodology auditors follow when certifying them.

The certification guidance stipulates the level of initial testing auditors are required to perform and 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 to determine if errors detected in the prior year's claim have reoccurred.

We then either report underpayments, uncertainties and the extrapolated value of other errors in a qualification letter or, if appropriate, agree an amendment to the claim with the Council. 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.

We have highlighted the following issues during the course of our work:

- From an initial sample of Rent Allowance cases we identified two errors as a result of incorrect calculation of earned income. The impact was:
 - one underpayment of benefit with a total value of £31.10
 - one overpayment of benefit with a total value of £0.48

40+ or extended testing was performed on a sample of Rent Allowance cases with income. The work undertaken covered all forms of income, as the extended testing was performed also to address errors identified in multiple income types (including earnings) in 2014/15. Three overpayments of benefit with total values of £1.20, £27.54 and £1,323.00 were found in the extended sample.

Further work was undertaken on two of the three specific income types in which errors were found in the extended testing, those giving rise to the overpayments of £27.54 and £1,323.00. This work covered the full populations of these income types and allowed agreed amendments to be made to the final subsidy claim form. We were not therefore required to report these two errors in the qualification letter.

Our certification guidance required us to report the errors from our initial sample and further overpayment of £1.20 to the DWP in a qualification letter, along with the extrapolated value of the remaining overpayments. Amendments have been made to individual claims in 2016-17 to ensure that the benefit paid to claimants is corrected.

- Our initial sample of Rent Allowance cases also identified one error as a result of pension income incorrectly being excluded from the calculation of benefit entitlement. This resulted in an overpayment of benefit with a total value of £972.98

A sub-population of cases potentially impacted by errors of this nature was identified, and extended testing was performed on the full population. One further error was found in the extended sample. This resulted in an overpayment of benefit with a total value of £196.88

As the extended testing covered the entire sub-population of claims, the overall error could be quantified, and an agreed amendment was then made to the final subsidy claim.

Due to the complex nature of the claim a certain number of errors are inevitable. The issues above have been reported in the qualification letter where applicable and have been discussed with officers. The Council is aware of the need to keep error rates as low as possible. As such, formal recommendations on the above issues are not required in this report.

Amendments were made to the claim as noted above. As per DWP instructions, an extrapolation was reported in the qualification letter based on the values of the other errors identified. The total value of the error extrapolation was £220, which represents a very small percentage of the total value of the subsidy claimed (£51,058,157).

2. 2015-16 certification fees

PSAA determine a scale fee each year for the audit of claims and returns. For 2015-16, these scale fees were published by PSAA in April 2015 and are now available on their website (www.psa.co.uk).

Claim or return	2014-15	2015-16	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	22,770	14,711	14,711

PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent from 2015-16 onwards, to reflect savings from the closure of the Audit Commission. The 2015/16 fee is based on the fee for 2013/14 less 25 per cent. The indicative fee for 2016/17 (see section 3) is based on 2014/15 less 25 per cent.

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 £17,078. 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 would discuss the matter with 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.

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