

# Certification of claims and returns annual report 2014-15

Thurrock Council

3 February 2016

Ernst & Young LLP



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The Members of the Standards and Audit Committee  
Thurrock Council  
Civic Offices  
New road  
Grays  
Essex  
RM17 6SL

3 February 2016  
Ref: TUC/Grant report 2014/15

Direct line: 07974 006715  
Email: [Dhanson@uk.ey.com](mailto:Dhanson@uk.ey.com)

Dear Members

## **Certification of claims and returns annual report 2014-15 Thurrock Council**

We are pleased to report on our certification work. This report summarises the results of our work on Thurrock Council's 2014-15 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.

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 £60,522,853. We met the submission deadline. We issued a qualification letter for the housing benefit subsidy claim – details of the qualification matters are included in section 2. Our certification work found errors which the Council corrected. The amendments had a marginal effect on the grant due, reducing the subsidy due to the Council by £465.



The Council has implemented the recommendation from last year and has improved arrangements. Details are included in section 1. We have made one recommendations this year, set out in section 5.

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](http://www.psaa.co.uk)).

We welcome the opportunity to discuss the contents of this report with you at the 3 February Standards and Audit Committee.

Yours faithfully

**Debbie Hanson**

Director  
Ernst & Young LLP  
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## 1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£60,523,318
Amended/Not amended	Amended – subsidy reduced by £465
Qualification letter	Yes
Fee – 2014-15	£22,864
Fee – 2013-14	£24,375
Recommendations from 2013-14	Findings in 2014-15
Training for Housing Benefit Assessors should continue and in particular cover overpayment calculation and classification.	<p>Training is ongoing and improvements have been noted. The level of errors identified in the general classification and calculation of overpayments has reduced.</p> <p>However, training should continue, covering overpayment classification and calculation and Local Housing Association (LHA) rent.</p> <p>Further details of these findings are included in section 5.</p>

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 several areas.

Non-HRA rent rebates overpayments were determined to be a small population and therefore in accordance with certification guidance, all cases were tested. The claim was amended for the errors identified. They had a small net impact on the claim.

Extended and other testing identified other errors. 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.

The main issues we reported were:

- Misclassification of rent rebate and rent allowance overpayments between local authority error and eligible error.
- Misclassification of local authority error overpayments on rent rebates and rent allowances. This occurred when an overpayment which arose due to the HMRC's new Real Time Information (RTI) system was incorrectly classified as local authority error. The authority had a four week grace period to action the changes and should therefore have classed the overpayment as eligible error;
- Incorrect application of local housing authority (LHA) rent. Testing of non-HRA rent rebates identified that the Council only recorded the expenditure up to the cap value of the appropriate LHA rate even with the actual expenditure is higher. These errors

always result in underpayment of benefits and therefore there are no subsidy implications; and

- Incorrect calculation of local housing authority rent for non-HRA rent rebates. The majority of errors identified resulted in benefit being underpaid, which does not affect subsidy. Two errors were identified which resulted in overpaid benefit. These were reported and extrapolated in the qualification letter.

The Council's housing benefit arrangements have improved over recent years, with the number of issues identified by audit and case failures reducing. The HMRC RTI error outlined above was a specific issue identified this year related to the new system that had been introduced and unlikely to recur in future years. We previously carried out testing across all overpayment cells due to a history of errors. We now have evidence of improvements in arrangements and a resulting overall reduction in the number and type of errors identified. As a result, this year we only tested cells where errors were found in the prior year.

We are proposing a small additional fee of £1,854 in relation to the additional testing undertaken this year. This still needs to be agreed with the PSAA. However, the overall 2014-15 fee will still be less than last year's fee, reflecting the overall reduction in errors identified. The extrapolated impact of these errors as reported in our qualification letter is also significantly reduced.

#### **Additional work in relation to previous year's claims**

Following our conclusion of the 2013-14 housing benefit claim audit, the DWP requested we review additional work undertaken by the Council and report our findings. We completed this work in June 2015 and reported our revised extrapolations along with additional errors identified on misclassification of overpayments for rent rebates and rent allowances. We agreed an additional fee of £3,490 for this work with the Head of Finance and the PSAA.

The DWP also requested that we undertake further additional work on the 2012-13 housing benefit claim. We completed this work in October 2015 and reported our revised extrapolations and the additional errors identified on misclassification of overpayments on rent rebates and rent allowances. The additional fee proposed for this work is £3,096, which needs to be agreed with the PSAA.

## 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](http://www.psa.co.uk)).

Claim or return	2013-14	2014-15	2014-15
	Actual fee £	Indicative fee £	Proposed actual fee £
Housing benefits subsidy claim	24,375	21,010	22,864 *
<b>Total</b>	<b>24,375</b>	<b>21,010</b>	<b>22,864</b>

Fees for annual reporting and for planning, supervision and review have been allocated directly to the claims and returns.

\* The proposed actual fee is lower than the prior year outturn. As reported above, this is due to the reduction in the level of errors identified. The proposed fee includes the additional fee for increased testing in year of £1,854. This additional fee needs to be approved by the PSAA.

### 3. Other assurance work

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

- ▶ Teachers pensions
- ▶ Housing pooling return

We have provided a separate report to the Council in relation to the teachers' pensions return. We are currently in the process of finalising our work on the housing pooling return.

The work on both of these returns has been undertaken outside the Audit Commission/PSAA regime, and the fees for this are not included in the figures included in this report. They are 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 are however still completing our work on the housing pooling return due to errors identified and further clarification requested from officers. As a consequence, the deadline for submission to the Department for Communities and Local Government has not been met.



## 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 (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2015-16 is £15,664. 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 Head of Finance 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
<b>Housing benefits subsidy claim</b>				
Training for Housing Benefit Assessors should continue and in particular cover overpayment calculation and classification and LHA rent.	Medium	<p>The Benefits team is pleased to note the general improvements noted within this report and agrees with the recommendation.</p> <p>The team have worked hard over the last few years to develop and maintain a progressive training programme for:</p> <ul style="list-style-type: none"> <li>• New Staff</li> <li>• Refresher Training sessions</li> <li>• Legislation Updates</li> </ul> <p>This process will continue for the forthcoming year and has been further enhanced with targeted quality checking procedures to ensure training needs are identified for individuals.</p>	Ongoing	Andy Brittain; Operational Service Lead – Revenues and Benefits

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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