

Certification of claims and returns annual report 2015/16

Borough Council of King's Lynn and West Norfolk

20 January 2017

Ernst & Young LLP



EY

Building a better
working world

The Members of the Audit Committee
Borough Council of King's Lynn & West Norfolk
Kings Court
Chapel Street
King's Lynn
Norfolk
PE30 1EX

20 January 2017

Direct line: 07541 346507
Email: MHodgson@uk.ey.com

Dear Members

Certification of claims and returns annual report 2015/16 Borough Council of King's Lynn and West Norfolk

We are pleased to report on our certification and other assurance work. This report summarises the results of our work on Borough Council of King's Lynn and West Norfolk'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 (DWP) 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 £40,213,082. We met the submission deadline. We issued a qualification letter to the DWP and it has been confirmed that there are no outstanding issues relating to the claim; details of the qualification matters are included in section 1.



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 13 February Audit Committee.

Yours faithfully

Mark Hodgson
Executive Director
Ernst & Young LLP
Enc

Contents

1. Housing benefits subsidy claim	1
2. 2015/16 certification fees	2
3. Looking forward	3

1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£40,213,082
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2015/16	£19,602
Fee – 2014/15	£31,280
Recommendations from 2014/15	Findings in 2015/16
None	N/A

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 year's claims. Extended testing was carried out in two areas where in the previous year errors had been identified. These areas were the calculation of claimant's income and the misclassification of overpayments between claimant error and local authority error.

We have reported the extrapolated value of these errors, underpayments, and other observations in a qualification letter. The DWP then decides whether to ask the Council to carry out further work to quantify the errors or to claw back the benefit subsidy paid. These are the main issues we reported:

- Rent Allowances - Testing of the initial sample identified no errors in respect to income and disregard calculation errors but due to prior year qualification issues an additional random sample of 40 cases was tested early by the Authority. The Authority were unable to provide a report that split income assessed and passport cases and 20 passport cases were tested as part of the random sample of 40 cases from cell 94. Testing the additional sample identified 1 case where benefit has been overpaid by the Authority applying incorrect income figures.

The net impact of the extrapolated error was to increase the level of Local Authority and Administrative Delay error by £1,348. The regulations allow for a permitted local authority error rate being exceeded, and this increase has not resulted in the error rate being exceeded unlike in the previous year.

A DWP letter dated 23 November 2016, in response to our qualification letter, confirmed that there are no outstanding issues relating to the claim and the proper amount of subsidy payable is that noted above.

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	£18,556	£19,602	£31,280

The indicative fee for 2015/16 is based on the actual fee for 2013/14 with a 25% reduction in scale fee.

For 2015/16 the level of error identified was lower than that identified in 2013/14. We are therefore proposing to reduce the fee by £1,046 to take account of the reduced amount of audit work that needed to be completed due to the reduction in errors found. The reduction in fee is subject to PSAA agreement.

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 £23,460. 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 Assistant Director (S151 Officer) 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.

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.
All Rights Reserved.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

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

ey.com