

Certification of claims and returns annual report 2014-15

Borough Council of King's Lynn and West Norfolk

8 January 2016

Ernst & Young LLP



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8 January 2016
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Dear Members

Certification of claims and returns annual report 2014-15 Borough Council of King's Lynn and West Norfolk

We are pleased to report on our certification work. This report summarises the results of our work on Borough Council of King's Lynn and West Norfolk'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 issues arising.

We checked and certified the housing benefits subsidy claim with a total value of £40.4m; meeting the submission deadline. We issued a qualification letter for the housing benefit claim and details of the qualification matters are included in section 1. The Council has improved arrangements from the previous year and this is evidence by the lower levels of errors detected.



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 Audit and Risk Committee on 23 February 2016.

Yours faithfully

Rob Murray
Executive Director
Ernst & Young LLP
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£40,439,950
Amended/Not amended	Amended
Qualification letter	Yes
Fee – 2014-15	£31,280
Fee – 2013-14	£29,353

Recommendations from 2013-14	Findings in 2014-15
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 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. We found errors and carried out extended testing in 3 areas.

Our initial testing identified errors which the council amended in regards to non-housing revenue account expenditure due to the council applying the incorrect rent and also errors were identified in the recording of expenditure split between cells 12 and 13. 100% testing was undertaken on all cases categorised as non-housing revenue account and amendments to the claim were made as they were discrete and quantifiable. They had a small net impact on the claim. 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.

These are the main issues we reported:

- ▶ Rent allowance - 2 cases where the claimant's income had been incorrectly calculated, resulting in an over payment of income; 2 cases where benefit had been underpaid due to the Council applying the incorrect income figures. Adjustment of £11,648;
- ▶ Eligible overpayments - 2 cases where overpaid benefit had been misclassified due to system applying the incorrect dates. The classification of benefit overpayments impacts the amount of subsidy that the council receives from the DWP; 2 cases where benefit was misclassified and should have been classified as overpaid benefit due to the Council applying incorrect amounts of underlying entitlement. Adjustment of £1,000; and
- ▶ Local Authority Overpayments - 3 cases where overpaid benefit had been misclassified due to the Council applying the incorrect dates. Adjustment of (£8,373).

The net impact of the extrapolated errors identified above and other minor amendments made to the claim form was to increase the level of Local Authority error and administrative delay overpayments, by a few thousand pounds. The regulations allow for a permitted Local Authority error rate being exceeded, however this increase resulted in that permitted Local Authority error rate being exceeded, resulting in a potential reduction of subsidy of £109,624. Housing subsidy regulations result in this disproportionate impact of the errors noted on the level of subsidy that can be claimed. The potential reduction of subsidy can't be confirmed until the DWP confirm what action it will take as a result of our qualification letter.

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	29,353	31,280	31,280*
Total			

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

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 £19,602. This was prescribed by PSAA in April 2015, based on no changes to the work programme for 2015-16 and no changes to the level of testing from 2013-14. PSAA reduced scale audit fees and indicative certification fee hourly rates 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 Assistant Director before seeking any such variation.

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