

Certification of claims and returns annual report 2014-15

Fareham Borough Council

January 2016

Ernst & Young LLP



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The Members of the Audit and Governance Committee
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Ref: FBC/Claims/2013-14

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Dear Members

Certification of claims and returns annual report 2014-15 Fareham Borough Council

We are pleased to report on our certification work. This report summarises the results of our work on Fareham Borough 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 any significant issues.

We checked and certified the housing benefits subsidy claim with a total value of £19.6m. We met the submission deadline. We issued a qualification letter – details of the issues giving rise to the qualification are included in section 1.



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 have made one recommendation this year, set out in section 4. A similar recommendation was made last year.

We welcome the opportunity to discuss the contents of this report with you at the Audit and Governance Committee on 14 March 2016.

Yours faithfully

Kate Handy
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	£19,646,032
Amended/Not amended	Not amended
Qualification letter	Yes
Fee – 2014-15	£15,080
Fee – 2013-14	£21,278

Recommendations from 2013-14	Findings in 2014-15
<p>The Council should continue to focus on reducing the level of errors to mitigate the risk of exceeding the error threshold and losing subsidy. In particular the Council should focus on:</p> <ul style="list-style-type: none"> reducing errors in calculating income; and reducing errors in calculating eligible rent 	<p>In 2014-15 we detected no further errors in calculating eligible rent. However, we continued to find errors in calculating earnings which required us to ask the Council to carry out additional testing. The results of the additional testing are set out below.</p> <p>The Council needs to maintain an ongoing focus here. Further details of this recommendation are included in section 4.</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 the previous year's claim. We found errors and carried out extended testing in one area, the calculation of earnings.

We have reported underpayments and the extrapolated value of these errors 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. The main issue we reported was:

- From an initial sample of 20 HRA rent rebate cases we identified two errors (total value £111) whereby benefit had been overpaid as a result of earnings being incorrectly calculated. One underpayment was also detected for the same reason (value £6). Testing of a further 40 cases identified no further errors of this type. The extrapolated error of benefit overpaid in our qualification letter was £3,613.

Our initial sample of 20 rent allowances cases identified no errors but because we identified errors in the audit of the previous year's claim we tested a further 40 cases to ensure earnings had been correctly calculated. No errors were detected.

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	21,278	15,080	15,080
Pooling of Housing Capital receipts	921	0	0
Total	22,199	15,080	15,080

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 £15,959. This was prescribed by PSAA in April 2015, based on no changes to the work programme for 2015-16.

Details of individual indicative fees are available at the following web address:
<http://www.psaa.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. If necessary, we would discuss this with the Director of Finance and Resources before seeking any such variation.

4. Summary of recommendations

This section highlights the recommendations from our work and the actions agreed.

Recommendation	Priority	Agreed action and comment	Deadline	Responsible officer
Housing benefits subsidy claim	Medium	The Council should continue to focus on reducing the level of errors to mitigate the risk of losing subsidy. In particular the Council should focus on reducing errors in calculating earnings.	Ongoing	Systems and Support Manager

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